The Regional Municipality of Durham

2009 Annual Report

The Regional Municipality of Durham
Ontario, Canada
Annual Report for the year ended December 31, 2009

DURHAM REGION

The Regional Municipality of Durham

2009 Annual Report

The Regional Municipality of Durham
Ontario, Canada

For the year ended December 31, 2009

DURHAM REGION

The Regional Municipality of Durham
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GROWING TOGETHER
DURHAM REGION STRATEGIC PLAN 2009-2014

VISION
Durham will be a united group of vibrant and diverse communities recognized for their leadership, community spirit, and exceptional quality of life.

MISSION
Meeting the needs of the Durham community through leadership, cooperation and service excellence.

VALUES
- Ethical Leadership
- Accountability
- Service Excellence
- Continuous Learning and Improvement
- Inclusion

"Growing Together"
Durham Region Strategic Plan 2009 - 2014

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WELCOME TO

DURHAM REGION

The Regional Municipality of Durham borders the City of Toronto and is part of the Greater Toronto Area (GTA) and the Greater Golden Horseshoe, the most populous and heavily urbanized region of Canada. According to the most recent Census, the Greater Golden Horseshoe is home to 8.1 million people, representing two-thirds of all Ontarians, and one-quarter of all Canadians.

Consisting of the Cities of Oshawa and Pickering, the Towns of Ajax and Whitby, the Municipality of Clarington and the Townships of Brock, Scugog and Uxbridge, Durham is characterized by urban lakeshore communities to the south, and rural farms, rolling hills, and a diversity of small towns, hamlets and villages to the north. The rural and urban areas are interwoven through a common commitment to maintaining a rich quality of life. This commitment is reflected in an array of cultural celebrations, rich histories, beautiful waterfront areas, trails and parks, thriving heritage downtowns, and an array of recreation opportunities.

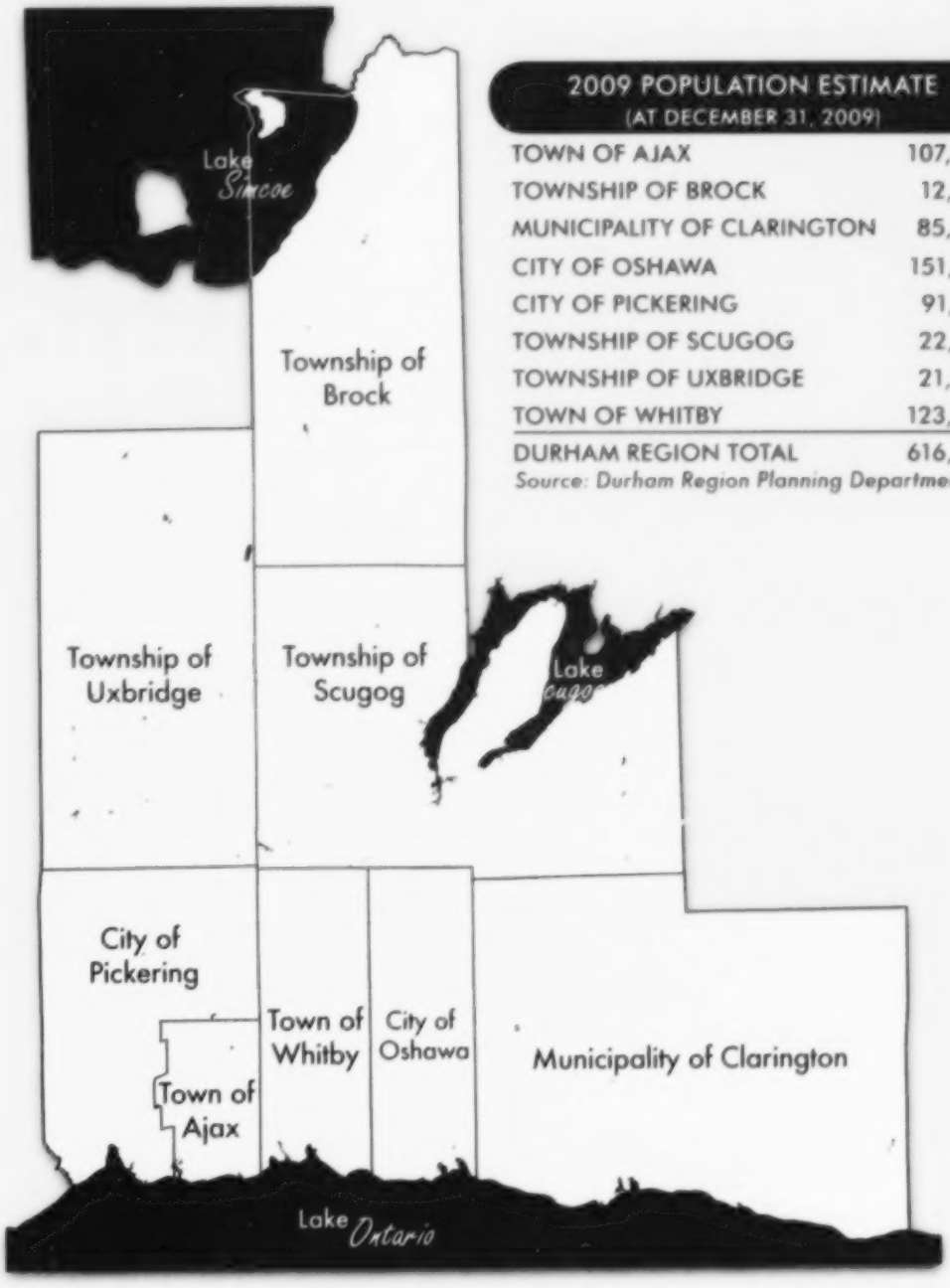
Durham's diversity is also reflected within its expanding economic base, which includes the key economic sectors of advanced manufacturing, automotive, agri-business, tourism, health care, education and energy.

As 'Ontario's Energy Capital,' 30 per cent of Ontario's energy requirements are already generated within the region, primarily from Ontario Power Generation (OPG) facilities located in the City of Pickering and the Municipality of Clarington. Life-cycle refurbishments and new generation capacity are part of OPG's future plans. Durham supports the full spectrum of the energy cycle, with companies producing and distributing power, developing new and renewable energy technologies, alternative fuels, manufacturing components and systems, and providing support services to this sector.

With its skilled labour force, developed infrastructure, research and development opportunities, and training and educational facilities, Durham Region represents a major energy cluster within North America. Educational institutions, Durham College and the University of Ontario Institute of Technology (UOIT), successfully partner with businesses to advance industry-driven technology developments. UOIT's Energy Research Centre (ERC), scheduled to open in 2011, will be the premier training facility for energy scientists and nuclear engineers, while enabling research in the development of clean and green energy. UOIT is also host to Centres of Excellence in automotive and plastics.

Durham Region's business-friendly environment and high quality of life has led to a dramatic increase in development over the previous decade. With one of the fastest growing populations in Canada, and a forecast population of close to one million people by 2031, Durham Region is an 'emerging power' within the GTA.

High quality upper and lower tier municipal services and excellent transportation networks, public utilities, and social, educational and health infrastructure support an auspicious blend of urban and rural lifestyles.



2009 POPULATION ESTIMATE (AT DECEMBER 31, 2009)	
TOWN OF AJAX	107,895
TOWNSHIP OF BROCK	12,470
MUNICIPALITY OF CLARINGTON	85,790
CITY OF OSHAWA	151,710
CITY OF PICKERING	91,215
TOWNSHIP OF SCUGOG	22,760
TOWNSHIP OF UXBRIDGE	21,380
TOWN OF WHITBY	123,560
DURHAM REGION TOTAL	616,780

Source: Durham Region Planning Department

Land Area: 2,535 square kilometres (980 square miles)
Located just 40 kilometres east of downtown Toronto, Durham Region is easily accessed using highways 401, 407, and 2. Go Transit and Via Rail provide alternative transportation to and from Durham, while Durham Region Transit provides seamless transit services in and around the region.

MESSAGE FROM THE
REGIONAL CHAIR AND CEO

Roger Anderson
Regional Chair and CEO

In 2009, given the economic downturn and associated financial pressures, the Regional Municipality of Durham focused limited funding on key long-term infrastructure priorities and the provision of essential front-line programs and services.

Under the guidance of the updated Durham Region Strategic Plan, priority areas included waste management, transportation, new paramedics and policing, including new front-line police officers.

Waste management continues to be a key focus, as the Region implements its long-term waste management strategy. It is notable that, even considering population growth, Durham remains one of a handful of Canadian municipalities that consistently diverts over 50 per cent of its waste from landfill. New programs and initiatives will ensure that this diversion success continues. Regional Council has also resolved to work towards its new target of 70 per cent diversion from landfill. In June 2009, Regional Council approved the Durham/York Residual Waste Study Environmental Assessment (EA) for an energy-from-waste facility. The proposed facility is to process residual solid waste left after the Region's aggressive diversion programs. A decision from the Province of Ontario related to this EA is anticipated during 2010.

As we attract new residents, employers and investors, a strong transportation system is essential to keep Durham moving forward. Regional investments in the transportation network continue, including road expansion and rehabilitation and bridge replacements. Further, Durham Region Transit marked its 30-million-passenger milestone in November 2009, and will finalize its long-term transit strategy in early 2010. This comprehensive plan will incorporate rapid transit for our region, and the strategy will anticipate potential transportation options well into the future.

The Region maintains its long-standing commitment to fund its infrastructure for the long-term prosperity of Durham. In 2009, investments were also assisted by significant new funding from the federal and provincial governments for infrastructure, including water supply, sanitary sewerage, roads and new housing units and retrofits.

Building on its strong foundation, Durham Region continues to enhance its economic potential to ensure Durham maintains its vibrant and diverse economy and exceptional quality of life.

Roger Anderson
Regional Chair and CEO

MESSAGE FROM THE CHIEF ADMINISTRATIVE OFFICER

Garry H. Cubitt, MSW
Chief Administrative Officer

Under the Region's new Durham Region Strategic Plan 2009-2014, a key focus is sustainability, which recognizes that the decisions of today should enhance the future quality of life for current residents and the citizens of tomorrow.

It is important that the Region continue to direct resources responsibly, as we implement organizational strategies that focus on community, economy, environment, growth and partnerships — the five themes to which our organization is committed on behalf of our residents.

The Region's mission is to provide service excellence for our communities. This purpose remains the number one priority, and staff aim to succeed in this endeavour through leadership and co-operation with the community.

During the year, the Region placed a strong focus on improving access to services and facilities for citizens with disabilities. In order to ensure transportation services to a greater number of residents and visitors, 131 of 160 buses in Durham Region Transit's conventional fleet are now fully accessible (in addition to 30 buses in the specialized transit services).

The Region also has a plan in place that highlights further opportunities to eliminate barriers, including those within our facilities. The plan includes incorporation of accessible ramps, the addition of audible pedestrian signals at several intersections, lowered reception counters, automatic doors, and the redevelopment of the Region's website. Specific initiatives are considered and implemented through the Region's annual accessibility and business planning processes.

As awareness of climate change issues increase, the Region continues to actively promote measures to address climate change impacts. The Durham Region Roundtable on Climate Change, established in 2008, will engage the broader community in developing actions to mitigate and adapt to climate change. While a number of initiatives are already in place within the organization, in 2009 staff initiated a process to incorporate and formalize climate change as a focus within the existing business planning cycle.

Our organization strives to deliver excellent services within an ever-changing environment. This involves continuously seeking and implementing corporate improvements to ensure the highest quality of service for our residents.

Garry H. Cubitt, MSW
Chief Administrative Officer

DURHAM REGIONAL COUNCIL

2010 - 2018

Regional Chair
Roger Anderson

Mayor Steve Parish
Town of Ajax

Regional Councillor
Scott Crawford
Town of Ajax

Regional Councillor
Colleen Jordan
Town of Ajax

Regional Councillor
Charlie Trim
Municipality of Clarington

Mayor John Gray
City of Oshawa

Regional Councillor
April Cullen
City of Oshawa

Regional Councillor
John Henry
City of Oshawa

Regional Councillor
Nester Pidwerbecki
City of Oshawa

Mayor Dave Ryan
City of Pickering

Regional Councillor
Rick Johnson
City of Pickering

Regional Councillor
Bonnie Littley
City of Pickering

Regional Councillor
Howie Herrema
Township of Uxbridge

Mayor Pat Perkins
Town of Whitby

Regional Councillor
Joe Drumm
Town of Whitby

Mayor Larry O'Connor
Township of Brock

Regional Councillor
John Grant
Township of Brock

Mayor Jim Abernethy
Municipality of Clarington

Regional Councillor
Mary Novak
Municipality of Clarington

Regional Councillor
Joe Kolodzie
City of Oshawa

Regional Councillor
Robert Lutczyk
City of Oshawa

Regional Councillor
John Neal
City of Oshawa

Regional Councillor
Brian Nicholson
City of Oshawa

Regional Councillor
Bill McLean
City of Pickering

Mayor Marilyn Pearce
Township of Scugog

Regional Councillor
Jim McMillen
Township of Scugog

Mayor Bob Shepherd
Township of Uxbridge

Regional Councillor
Gerry Emm
Town of Whitby

Regional Councillor
Don Mitchell
Town of Whitby

DURHAM REGION

GOVERNMENT STRUCTURE

Durham Region and Local Area Municipalities

Our system of government consists of two tiers. The Regional Municipality of Durham is the first level, or upper tier, and the eight local area municipalities constitute the second level, or lower tier. The two-tiered system is designed to retain closeness to the people, while permitting a region-wide approach to development, infrastructure and service delivery.

Local area municipalities have responsibility for the following service areas:

- Local planning and development;
- Local roads, bridges, storm sewers and sidewalks;
- Fire protection and prevention;
- Parks and recreation;
- Property tax billing and collection;
- Building and related inspections and permits;
- Business and other licencing;
- Registration of vital statistics;
- Garbage, food and yard waste collection (in the City of Oshawa and the Town of Whitby);
- Animal control;
- Library services;
- Municipal elections;
- Parking and By-law enforcement; and,
- Property standards.

The Regional Municipality of Durham was created on January 1, 1974, as a Regional Government in the Province of Ontario, under *The Regional Municipality of Durham Act, 1973*. The Act provided for the formation of the eight local area municipalities (now the Cities of Oshawa and Pickering, the Towns of Ajax and Whitby, the Municipality of Clarington, and the Townships of Brock, Scugog and Uxbridge).

As issues continue to increase in complexity and blend in terms of jurisdictional responsibility, and as resources remain limited, municipalities are increasing their efforts to work together, and partner with others, to provide required services.

Durham Region has responsibility for the following service areas:

- Police services and the Emergency 911 telephone system;
- Delegated authority for local area municipal official plans and amendments;
- Durham Region Official Plan and implementation;
- Water supply treatment, distribution and billing;
- Sanitary sewerage collection, treatment and billing;
- Main arterial roads, bridges, traffic lights and controls, and storm sewers on Regional roads;
- Strategic land use planning;
- Borrowing of money for capital expenditures of upper and lower tier municipalities;
- Economic development and tourism;
- Development approvals (Industrial, commercial and residential);
- Social services, including child care, long-term care, and services for seniors, family services, social housing and 'Ontario Works' programs and services;
- Land division consent applications;
- Provincial offences court, prosecution services and the administration and collection of fines;
- Solid waste management including diversion, recycling, promotion and education, Blue Box collection, garbage, food and yard waste collection in six local area municipalities, and waste processing and disposal;
- Emergency medical services;
- Property taxation policy;
- Public health programs and services;
- Transit services; and,
- Emergency management.

Durham Regional Council: Purpose and Composition

Regional Council provides leadership and direction to Regional administrative staff, who ensure citizens have access to adequate and efficiently delivered Regional services and infrastructure.

Legislative responsibility for the Regional Corporation is vested in the Regional Council, comprised of the Regional Chair plus 28 Regional Councillors.

The composition of Regional Council is designed to achieve balanced representation for the Region's eight local area municipalities. The Mayors of the local area municipalities, by virtue of their office, are also Regional Councillors, while other election candidates declare candidacy for either a combined Regional and local, or strictly local office. Regional Councillors elected in 2006 are serving a four-year term to November 2010. The term of the next Regional Council begins in December 2010 based upon the results of the October 25, 2010 election.

Regional Chair

The Regional Chair is the head of Regional Council and is the Chief Executive Officer (CEO) of the Regional Corporation. The Regional Chair is an ex-officio member of each Regional Standing Committee.

The Regional Chair presides over all meetings of the Regional Council. An important function of the Regional Chair is to promote and advance the Regional position.

As part of the position, the Regional Chair meets regularly with representatives and residents, to ensure they are aware of issues and actions within Durham Region, and to understand their concerns.

Appointments to Agencies, Boards and Committees (2006-2010)

Regional Council makes appointments to agencies, boards and committees that provide services to residents of Durham Region, including the following:

- Accessibility Advisory Committee;
- Agricultural Advisory Committee;
- Joint Waste Management Group for the Durham/York Residual Waste Study;
- Durham Environmental Advisory Committee;
- Brock Township Landfill Public Liaison Committee;
- Credit Valley/Toronto/Central Lake Ontario (CTC) Source Protection Committee;
- Durham Region Roundtable on Climate Change;
- Glen Major Forest and Walker Woods Stewardship Committee;
- Greater Toronto Airports Authority;
- Highway 407 East Environmental Assessment Study Community Advisory Group;
- Land Division Committee;
- Local Diversity and Immigration Partnership Council;
- Trent Conservation Coalition Source Protection Committee;
- Business Advisory Centre Durham;
- Canadian National Exhibition Association;
- Durham Region Transit Executive Committee;

DURHAM REGION

GOVERNMENT STRUCTURE

Appointments to Agencies, Boards and Committees (2006-2010) Continued

- Central Lake Ontario Conservation Authority;
- Ganaraska Region Conservation Authority;
- Kawartha Region Conservation Authority;
- Lake Simcoe Region Conservation Authority;
- Toronto and Region Conservation Authority;
- Durham Region Non-Profit Housing Corporation;
- Durham Regional Local Housing Corporation;
- Development Charges Complaint Committee;
- Durham Regional Police Services Board;
- 911 Management Board;
- Duffins Creek and Carruthers Creek Watershed Resource Group;
- Durham Advisory Committee on Homelessness;
- Rouge Park Alliance;
- GTA Agricultural Action Committee;
- Greater Toronto Marketing Alliance;
- Durham Region Child and Youth Advocate;
- Durham Trail Co-ordinating Committee;
- Durham Region Transit Advisory Committee;
- Multi-stakeholder Advisory Panel for the Durham Sustainability Stewardship Program;
- Association of Local Public Health Agencies (alPHa);
- Energy from Waste Facility Site Liaison Committee;
- Social Housing Services Corporation Board of Directors;
- TRCA Trail Guidelines Advisory Committee; and,
- East Duffins Headwaters Committee.

For additional information on Durham's boards, committees and/or agencies, please visit the Regional website at www.durham.ca, contact the Region at 905-668-7711 or toll free at 1-800-372-1102, or email info@durham.ca

Regional Administration: Management and Reporting Structure

The Chief Administrative Officer (CAO) is the most senior staff person in the Regional Corporation and reports to Regional Council. Appointed by Regional Council, the CAO ensures the implementation of Regional Council direction and policy and is responsible for the overall management of the Regional organization.

Department heads report to the CAO, who ensures coordination between departments and relevant outside agencies. Under the direction of the CAO, department heads report to Council through the committee structure.

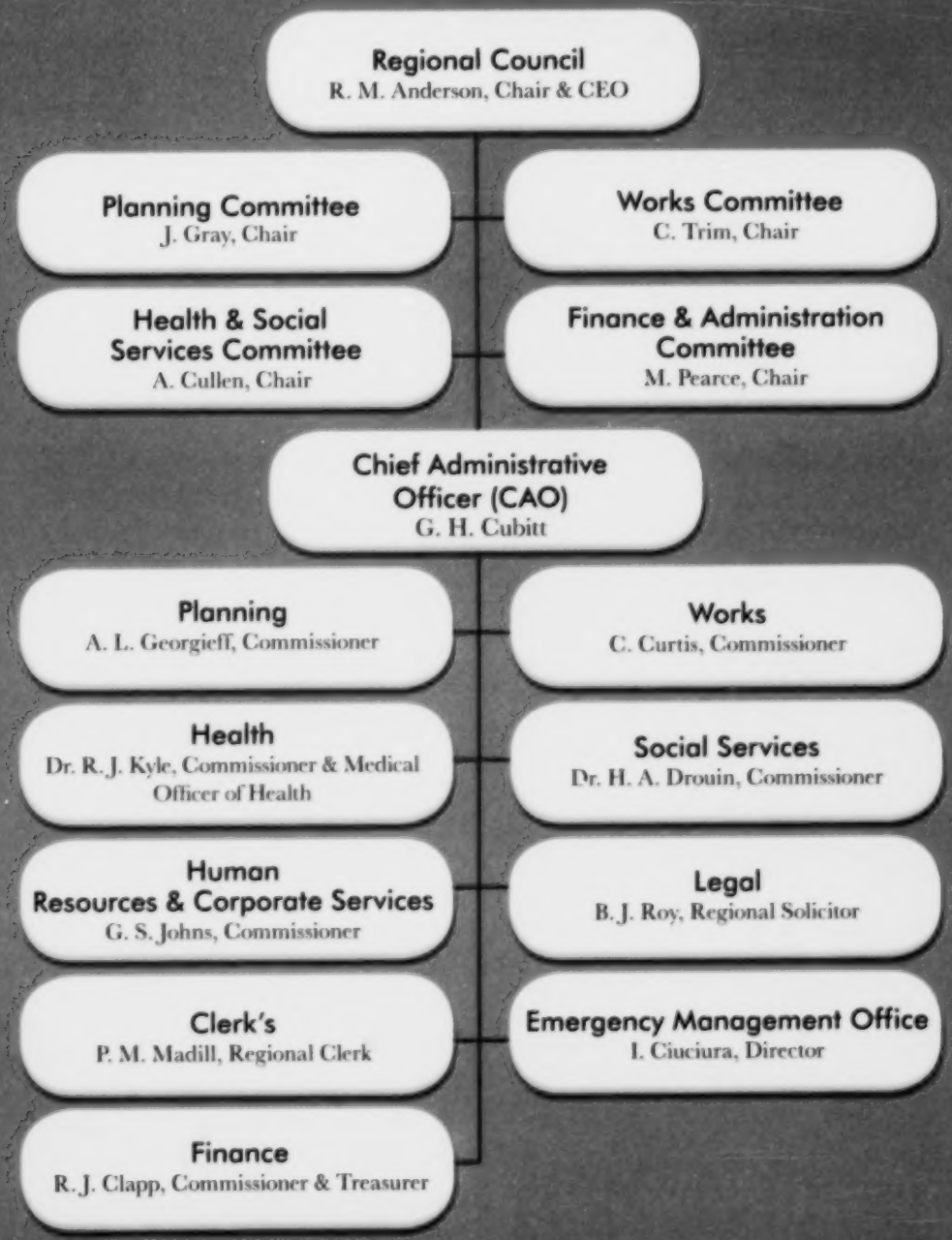
Most of the Region's programs and services are overseen by four standing committees: Health & Social Services, Finance & Administration, Planning and Works.

Issues requiring deliberation will often involve the jurisdiction of more than one of the Region's standing committees. In these cases, joint committees are formed involving two or more standing committees.

The Durham Region Transit Commission is the decision making body responsible for Durham Region Transit. The Commission consists of all members of Regional Council.

REGIONAL ADMINISTRATION

MANAGEMENT AND REPORTING STRUCTURE



DURHAM REGION

STANDING COMMITTEES

Health & Social Services

The Health & Social Services Committee oversees programs administered by the Health Department and the Social Services Department. Both of these are large departments that provide many services mandated by the Province of Ontario.

Responsibilities include:

- Land ambulance services/emergency medical services (EMS).
- Long-term care facilities and services for seniors.
- Ontario Works programs and services.
- Public health programs and services.
- Social housing, homelessness prevention and funding.
- Child-care centres, nursery school programs and Durham Behaviour Management Services.
- Family counselling.

What these services mean to residents:

- EMS responds to emergency, non emergency and standby calls.
- Durham's four long-term care facilities provide homes for 847 residents and Adult Day Programs are offered at locations in Oshawa, Beaverton and Port Perry.
- Social assistance is provided to those that need it, including support for people to return to employment.
- The Health Department provides free flu clinics and other public health services each year.
- Durham Region administers and funds housing providers, who own rental units region-wide.
- The Durham Regional Local Housing Corporation owns and manages housing units region-wide.
- Children and families are provided high quality child care programs and related services.

Planning

The Planning Committee oversees the work of the Planning Department.

Responsibilities include:

- Delegated authority for local area municipal official plans and amendments.
- Durham Region Official Plan and implementation.
- Industrial, commercial and residential development approvals.
- Land division consent applications.
- Strategic land use planning.
- Subdivision and condominium approvals.

What these services mean to residents:

- Development applications are reviewed and approved consistent with Regional policies.
- Agricultural areas are protected for food production and contribute to food security.
- An established Durham Trails Network links Durham's municipalities, promoting outdoor recreation and tourism.
- Our natural heritage, including forests and wetlands, is protected.
- Ontario's Growth Plan implementation is proceeding and the Infrastructure and Fiscal Impact Analysis of the preferred scenario is being advanced.
- Smart Commute Durham is being promoted to encourage sustainable transportation.

Finance & Administration

The Finance & Administration Committee is responsible for the work of the support departments and divisions, including the Chief Administrative Officer's Office, Clerk's, Finance, Legal, Human Resources and Corporate Services, and Durham Emergency Management Office.

Responsibilities include:

- Business planning and budgets.
- Emergency management.
- Water and sewer billing.
- Property tax policy.
- Economic development and tourism.
- Provincial offences court, prosecution services, administration and collection of fines.
- Municipal infrastructure investment and financing.
- Financial reporting and disclosure.
- Borrowing for upper and lower tier municipalities.
- Economic/financial analysis, forecasts and reporting.
- Accessibility planning and reporting.
- Development Charges, By-laws and Studies.
- Performance Measurement programs.

What these services mean to residents:

- Effective response to natural and human-caused disasters to ensure the safety of residents.
- Durham's strong Aaa ('Triple A') credit rating reflects sound financial management.
- The Region and local area municipalities can borrow money at lower interest rates.
- Economic development and tourism is promoted locally, nationally and internationally in conjunction with local area municipalities.
- Infrastructure funded and sustained based upon multi-year strategic planning and best business practices.

Works

The Works Committee is responsible for oversight of the Region's Works Department.

Responsibilities include:

- Provision and maintenance of municipal water supply, sanitary sewerage and waste management.
- Planning, design, and construction of infrastructure, including roads and bridges, sewers, sewage treatment and water supply plants, watermains, reservoirs, and water pumping stations.
- Provision and maintenance of Regional roads, bridges and traffic signals.
- Maintenance of Regional facilities, including ambulance stations, depots and the Region's housing units.

What these services mean to residents:

- Protection of the Region's water resources.
- Municipal water supply that is of excellent quality, meeting or exceeding Ontario water regulations.
- Water and energy efficiency programs are managed for all Regional facilities and efficiency is promoted Region-wide.
- Efficient maintenance, improvement and expansion of the Regional transportation network.
- Cost effective residential solid waste collection, processing, diversion programs and haulage and disposal of residual solid waste.
- In 2009, over 50 per cent of residential solid waste was diverted from landfill through recycling, composting and reuse programs.

GROWING TOGETHER

DURHAM REGION STRATEGIC PLAN 2009-2014

In 2008, Regional Council directed the organization to develop a new strategic plan. While the Community Strategic Plan – created in 2003 – had been an excellent road map for the Region, changing times and a growing population suggested that renewal of the plan would be beneficial. Increased awareness of the impacts of climate change, and the effects it will have on the environment, economy and social fabric of our Region and beyond also supported the need to revisit the plan.

As a result, sustainability is the overarching principle guiding the goals outlined in the new 2009-2014 plan and more importantly will steer implementation activities that will assist in achieving those goals. Sustainability has been characterized in many different ways, but Canada's National Task Force on Environment and Economy has a definition that is easily understandable and can be used by all organizations:

> **"Development which ensures that the utilization of resources and the environment today does not damage prospects for their use by future generations."**

The Region of Durham understands that even greater awareness is essential and that the incorporation of sustainability into the business decision-making process is required. This has already been occurring, but will now have a more formalized approach. Regional Council's role of providing leadership and vision is a critical one.

The Durham Region Strategic Plan has a timeframe of six years. It is anticipated that when the next Regional Council is elected in 2010, they will review this plan and either ratify it as it stands, or make modifications to reflect any shifts in priorities.

Under *Theme 1* we are: Assisting businesses to source capital, and develop opportunities and partnerships. We are working with stakeholders to identify industry needs and address the interdependent aspects of economic sustainability, environmental stewardship and social well-being.

Under *Theme 2* we are: Recognized for significant natural heritage lands and greenland, and we are working to maintain our agricultural land and enhance food security. We are developing a strategy to mitigate and adapt to climate change.

Under *Theme 3* we are: Creating complete communities within livable urban environments, and encouraging the development of an integrated transportation system, which includes transit, cycling and walking. We are reinforcing the distinct character of our rural and urban areas and assisting in the revitalization of our downtowns.

Under *Theme 4* we are: Responding to changing needs of an increasingly diverse community. We are strengthening accessibility to appropriate services, which respond to the needs of all residents, including children, youth and the aging population.

Under *Theme 5* we are: Striving to seek opportunities to increase intergovernmental co-operation, efficiency and avoid duplication of services. We are informing our residents of Durham-wide services and opportunities.

STRATEGIC THEMES

Promote and strengthen a vibrant economy that will support prosperity for Durham residents, businesses and organizations

Balance growth, enabling sustainable communities

Protect and enhance our environment for today and tomorrow through stewardship of our natural resources

Promote a safe, healthy, caring, inclusive community

Enhance partnerships while providing continued service excellence

"Growing Together" Durham Region Strategic Plan 2009-2014
is available on the Regional website at www.durham.ca, or by contacting the Region at 905-668-7711, toll free at 1-800-372-1102 or by emailing the Region at info@durham.ca

OUR COMMUNITIES

UNITED, VIBRANT AND DIVERSE

Town of Ajax

POPULATION: 107,895
AREA: 68 sq. km. (26 sq. miles)
www.townofajax.com

The Town of Ajax is a vibrant waterfront community with over 1,900 businesses and a labour force of approximately 42,000. Ajax boasts a strong entrepreneurial spirit with a focus on being progressive, accountable, community focused and eco-conscious.

Ajax strives to preserve a rich natural heritage, including waterways such as Duffins and Carruthers Creeks. Residents and visitors enjoy seven kilometres of undeveloped Lake Ontario waterfront, with hundreds of acres of parkland and natural areas connected by an integrated 80 kilometre multi-use trail system.

Township of Brock

POPULATION: 12,470
AREA: 425 sq. km. (164 sq. miles)
www.townshipofbrock.ca

The Township of Brock includes three distinct urban areas, numerous hamlets, and a beautiful countryside. While agriculture is Brock's largest employment sector, a full range of commercial and industrial businesses are located within the urban areas of Beaverton, Cannington, and Sunderland. Brock is home to some of the most interesting heritage buildings, fall fairs, festivals, antique and craft shops. Quaint shopping districts in local villages offer many unique retail opportunities. The Township's location on Lake Simcoe and the Trent-Severn Waterway make it a popular destination for all seasons for residents and tourists.

City of Pickering

POPULATION: 91,215
AREA: 232 sq. km. (90 sq. miles)
www.cityofpickering.com

The City of Pickering is the gateway city where Durham, Toronto and York Regions meet. Boasting a world class EN3 cluster (ENergy, ENgineering, ENvironmental), Pickering is an economic powerhouse, and home to Ontario Power Generation, Eco-Tec, Hubbell Canada, and Wardrop Engineering. The Province of Ontario has designated Pickering's downtown an Urban Growth Centre and transit Mobility Hub. In addition, $30 million in downtown infrastructure is under construction, and will feature a landmark pedestrian bridge spanning Highway 401. The future community of Seaton will be Canada's model of Sustainability, welcoming 70,000 new residents and 35,000 new jobs over the next 20 years.

Township of Scugog

POPULATION: 22,760
AREA: 478 sq. km. (185 sq. miles)
www.township.scugog.on.ca

The Township of Scugog combines proximity to metropolitan areas with small community allure. Industry includes agriculture, tourism, and manufacturing supported by an excellent infrastructure network and Durham Region Transit. Port Perry offers an historic downtown with unique specialty shops. Local heritage and culture flourish including the 1873 Town Hall, Performing Arts Centre, Scugog Shores Museum and Heritage Centre and the First Nations of Scugog Island. A tourist destination, Scugog hosts many events, fairs and festivals. Hamlets and villages provide breathtaking sightseeing, with waterfront parks, sport fields and the Trans-Canada and Oak Ridges Moraine Trails as well as the Nonquon Wildlife Preserve providing a gamut of outdoor activity.

Municipality of Clarington

POPULATION: 85,790
AREA: 613 sq. km. (237 sq. miles)
www.clarington.net

As one of the fastest growing communities in the GTA, Clarington encompasses the communities of Bowmanville, Courtice, Newcastle, Orono and 14 rural communities. Diversity within the Clarington community provides balanced rural and urban settings.

The diverse business community includes approximately 400 working farms, 100 small to medium sized manufacturers, 1,000 retail and professional businesses, and Ontario Power Generation's Darlington Nuclear Station. Clarington's prime location allows easy access to Highways 401 and 35/115 and the future extension of Highway 407. Canadian Pacific Railway Limited and Canadian National Railway Company lines and the extension of GO Train service to Clarington will provide Clarington businesses access to all markets.

City of Oshawa

POPULATION: 151,710
AREA: 147 sq. km. (57 sq. miles)
www.oshawa.ca

Oshawa is an award winning community experiencing renewal as the city moves from a manufacturing base to one built upon the diversity of its automotive, energy, information technology, education, and health sectors. Major contributions include Durham College, the University of Ontario Institute of Technology, Trent University, Lakeridge Health Oshawa and the Durham Regional Cancer Centre. The city extends north from Lakeview Park to rural farmlands and the Oak Ridges Moraine, and offers first-class recreation, amazing trails and beautiful parks. Oshawa is home to Pumphouse Marsh, McLaughlin Bay Wildlife Reserve and Second Marsh. The Robert McLaughlin Gallery, Parkwood National Historic Site, museums, live theatre, symphony, concerts, and variety of annual events support a rich quality of life.

Township of Uxbridge

POPULATION: 21,380
AREA: 425 sq. km. (164 sq. miles)
www.town.uxbridge.on.ca

The Township of Uxbridge is in a beautiful valley on the Oak Ridges Moraine. Rich in recreation, entertainment, heritage and culture, Uxbridge has a thriving arts community and countless organizations contributing to a quality lifestyle. Economic sectors include agriculture, tourism, aggregates, and manufacturing. Uxbridge is a haven for patrons of the arts and award-winning artists, authors, musicians, actors and sculptors. Architecturally and historically significant homes, churches and buildings, including the former homestead of Lucy Maud Montgomery, are tourism attractions. The Trail Capital of Canada, Uxbridge is known for beautiful trails and an array of outdoor recreation opportunities.

Town of Whitby

POPULATION: 123,560
AREA: 147 sq. km. (57 sq. miles)
www.whitby.ca

The Town of Whitby is one of the top ten fastest growing communities in Canada and is centrally located along the north shore of Lake Ontario, in the heart of the Durham Region.

Whitby has a rich history, beautiful waterfront, two thriving heritage downtowns, and many organizations and institutions providing limitless opportunities for economic diversification. Whitby is committed to maintaining, enhancing and developing its local infrastructure, facilities and services to promote sustainable economic growth. With its well diversified economy, Whitby is increasingly the "Community of Choice" for business and families.

DURHAM REGION

PERFORMANCE MEASUREMENT

A Commitment to Performance Measurement

The objectives of performance measurement are to improve service delivery, share best practices within and amongst municipalities and increase accountability to taxpayers.

The Region has established practices of developing and reporting performance measures as part of the annual Business Planning and Budget process.

The Region's commitment to service excellence is rewarded through achievement of the highest credit ratings.

Municipal Performance Measurement Program

The Province's Municipal Performance Measurement Program (MPMP) was introduced in 2000 to enhance accountability and requires mandatory reporting by all Ontario municipalities.

The Region's 2008 MPMP results (the latest available), including detailed narratives, are available on the Region's website at www.durham.ca, or by contacting the Region at 905-668-7711, toll free at 1-800-372-1102, or by emailing the Region at info@durham.ca.

Ontario Municipal Benchmarking Initiative

The Ontario Municipal CAO's Benchmarking Initiative (OMBI) is a collaboration of 15 Ontario municipalities that represent more than 9.4 million residents or 73 per cent of Ontario's population. The initiative is led by the Chief Administrative Officers (CAOs) and City Managers of participating municipalities to foster a culture of service excellence. By working collaboratively with the other OMBI municipalities through this initiative, the Region of Durham has been able to address the growing demand for greater accountability and transparency in the planning and delivery of municipal services and programs.

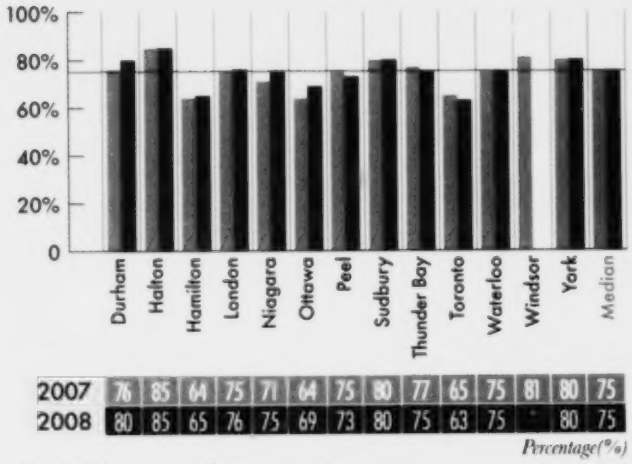
In October 2009, OMBI released the "2008 Performance Benchmarking Report: Partnering for Service Excellence." For a copy of the full report please visit the OMBI website at www.ombi.ca. The results, after taking into consideration the unique characteristics of each municipality, can be .sed locally to aid in decision making processes in terms of understanding municipal performance over time and within a broader context of providing comparable information of other member municipalities. The benchmarking process can lead to improved efficiency and effectiveness in service delivery, and the formation of new ideas for improvements that make sense within each municipality's unique context. The report highlights 26 service areas, of which Durham is identified in 17 of the service areas, with the balance of the services provided by single tier municipalities.

The following are two examples of 2008 comparative performance measurement results.

Police Services

Under the *Ontario Police Services Act*, municipalities are responsible for the provision of adequate and effective police services to ensure the safety and security of citizens, businesses and visitors. This graph demonstrates the number of violent crimes cleared in a specific calendar year, regardless of when the crimes occurred. A violent criminal incident is considered cleared when a charge is laid, recommended, or cleared by other methods. Durham Police cleared 80 per cent of all violent crimes in 2008, compared to 76 per cent in 2007, through the successful deployment of investigators to major cases of violence.

WHAT PERCENTAGE OF VIOLENT CRIME IS SOLVED?



	Durham	Halton	Hamilton	London	Niagara	Ottawa	Peel	Sudbury	Thunder Bay	Toronto	Waterloo	Windsor*	York	Median
2007	76	85	64	75	71	64	75	80	77	65	75	81	80	75
2008	80	85	65	76	75	69	73	80	75	63	75		80	75

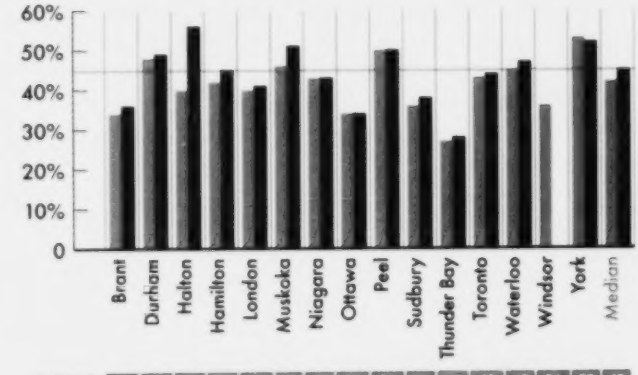
Percentage(%)

Note: Only municipal forces are shown.
*The City of Windsor did not provide 2008 data due to a labour disruption.

Waste Management Services

Waste Management Services include a wide range of collection, disposal, diversion and processing activities for the majority of residential households. A portion of these services may be provided to businesses. Durham Region is responsible for all waste processing and disposal within its jurisdiction, including Blue Box and Green Bin materials and marketing and educational services. Durham Region is also responsible for waste collection in six of its eight local area municipalities and partners with the remaining two municipalities to ensure uniform programs across the Region and to maximize diversion consistent with the Region's new 70% target. This graph demonstrates the amount of waste diverted from landfill and incineration through organics, blue box, leaf and yard, hazardous, special waste, or other recyclable materials diversion programs. The Region of Durham continues to increase its percentage of waste diverted.

WHAT PERCENTAGE OF RESIDENTIAL WASTE IS DIVERTED AWAY FROM LANDFILL SITES?



	Brant	Durham	Halton	Hamilton	London	Muskoka	Niagara	Ottawa	Peel	Sudbury	Thunder Bay	Toronto	Waterloo	Windsor*	York	Median
2007	34	48	40	42	40	46	43	34	50	36	27	43	45	36	53	42
2008	36	49	56	45	41	51	43	34	50	38	28	44	47		52	45

Percentage(%)

Note: Tonnage is determined using Generally Accepted Principles (GAP).
*The City of Windsor did not provide 2008 data due to a labour disruption.

COMMISSIONER OF FINANCE AND TREASURER'S REPORT

MULTI-YEAR STRATEGIC PLANNING

R. J. Clapp, CA
Commissioner of Finance & Treasurer

It is with pleasure that I present the Annual Financial Report of the Regional Municipality of Durham, Ontario, Canada. This report provides Durham's financial results for the year ended December 31, 2009, as well as information on key financial policies, practices, and initiatives, which support the efficient delivery of Durham Region's programs and services.

The Regional Business Planning Cycle

Durham's financial planning process includes an annual assessment of the long term implications of current and proposed policies, programs, and assumptions. This process supports appropriate and achievable strategies to reach corporate goals and objectives.

The Region's business planning cycle commences each year with the prioritization of strategic actions consistent with the Durham Region Strategic Plan. With a focus upon desired results, annual business plans and budgets balance strategic actions with available financing. The Durham Region Strategic Plan 2009-2014 initiates, and is implemented through the business planning cycle. Detailed business plans (including budgets), performance measures, objectives and priorities are prudently implemented within a sound fiscal framework, while focusing on realistic, timely program and infrastructure priorities. The business planning cycle, incorporating the Strategic Plan, is an enhancement to the Region's commitment to transparency and accountability.

On an annual basis, Regional Council establishes pre-budget guidelines for annual operating and capital expenditures and financing based upon multi-year budget forecasts provided by staff. The annual five-year economic and financial forecast and budget guidelines report provides Regional Council with preliminary estimates of financial requirements facing the Region over a five-year horizon, as well as potential sources of financing and risk considerations. The Region also completes separate annual servicing and financing studies, including multi-year (up to 20 year) capital expenditure forecasts in the major areas of roads, transit, housing, water supply and sanitary sewerage, and solid waste management.

Pre-budget property tax guidelines approved by Regional Council assist Regional departments in finalizing detailed program budgets for the current year.

Once programs are implemented, success is monitored, measured and evaluated through a commitment to performance measurement. The Region develops and reports performance measures as part of the budget process and through collaborative initiatives with other municipalities. Performance measurement and analysis assists in improving and reprioritizing program initiatives when necessary to maximize efficiency and enhance service delivery.

ANNUAL BUSINESS PLANNING CYCLE

The business cycle is continuous with each step revisited on an annual basis and adjusted as required to ensure continuous improvement.

2009 Budget Highlights

The 2009 business planning process resulted in a budget that allowed the Region to maintain essential front line services for a growing population, while making targeted investments within priority areas, including:

- Twenty six new police officers and five police support staff.
- Twelve new paramedics and two shift managers for emergency medical services.
- Accommodation of higher winter control costs due to increased severity of winter storms.
- Fifteen new staff for long-term care facilities, subsidized by the Province of Ontario.
- Thirteen new buses and enhanced transit services on selected routes.
- Road and bridge rehabilitation, improvements and expansions, including the widening of Altona and Taunton Roads.
- Enhancements to solid waste management services and infrastructure to support expanded diversion in support of the new 70 per cent diversion target set by Regional Council.

Financial pressures associated with the global downturn were also accommodated including commodity price uncertainty and volatility and increased Ontario Works and Disability Program claimants.

SOUND FINANCIAL PLANNING

Population growth is a positive factor, however the financial pressures that result need to be managed prudently. Pressures include demands for increased service levels and expanded infrastructure, consisting of transportation (roads and transit), solid waste management, water supply, sanitary sewerage, facilities, and police and emergency services vehicles and equipment. Major capital expenditures are strategically planned and financed over a multi-year planning horizon, as part of the business planning and budget process.

In dealing with inevitable cost pressures, the Regional Municipality of Durham relies on its long record of sound financial planning. A commitment to up-front financing, maintenance of strong reserves and reserve funds and low burden of debt enhances financial flexibility, and results in the Region's ability to meet obligations and pressures over the long-term.

The Region's asset management program also provides timely and comprehensive information regarding the inventory, condition, replacement value, and long-term capital requirements of the Region's road, water and sewer infrastructure and ensures that infrastructure replacement and rehabilitation is adequately funded.

Durham Region remains committed to responding to growth demands in a fiscally responsible manner, through long-term management of assets and prudent fiscal policy.

COMMISSIONER OF FINANCE AND TREASURER'S REPORT

2009 RESIDENTIAL PROPERTY TAXES

2009 Regional Average Residential Property Tax Bill

The average residential home in Durham had a Current Value Assessment (CVA) of approximately $289,400 in 2009. Based on this CVA, an average residential property in 2009 paid $2,195 in Regional property taxes as follows:

Police Services $639
Social Services $445
Public Works Roads & Bridges $244
Regional & GO Transit* $173
Solid Waste* $171
Services for Seniors $157
General Government $147
Health & Emergency Medical $123
Special Contributions & Reserves $34
Municipal Property Assessment Corp. $34
Conservation Authorities $28

*Varies by Local Area Municipality since solid waste management and transit costs are recovered based on a combination of assessment and service levels within each local area municipality.

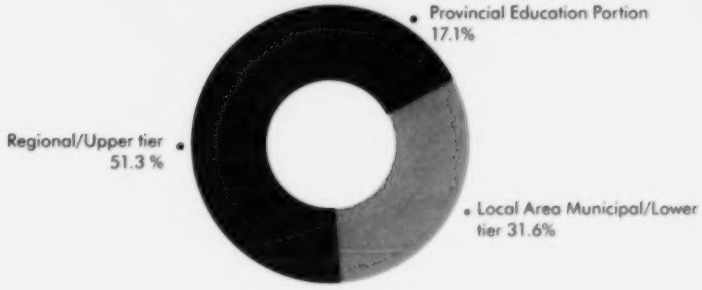
The 2009 Residential Property Tax Bill

The portion of the overall residential property tax bill dedicated to each level of government (lower tier, upper tier and provincial education tax) varies depending upon which local area municipality a resident resides in.

The Region only sets the property tax rate for the Regional portion while the local area municipal portion is set and retained by each local area municipality to be utilized for local purposes. The Province sets the property tax rate for education purposes and these funds are forwarded to the local school boards.

The chart below reflects the 2009 average share of the residential property tax bill across all eight local area municipalities within Durham Region.

AVERAGE RESIDENTIAL PROPERTY TAX SHARE BY LEVEL OF GOVERNMENT



Page 10 of this report highlights key service area responsibilities for Durham Region and Durham's local area municipalities.

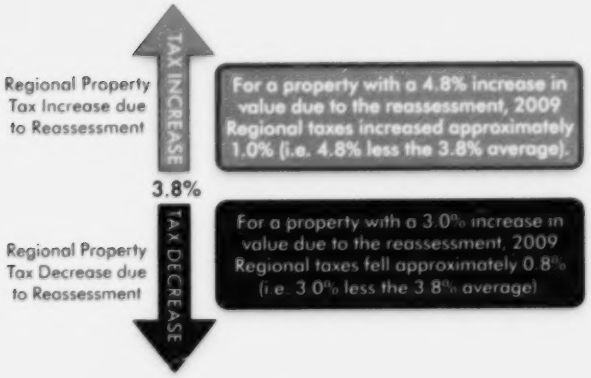
2009 Reassessment Phase-In Impacts

All properties in Ontario were reassessed for the 2009-2012 property taxation years based on a January 1, 2008 property value. The Province has mandated that these new assessment values are to be phased in over four years. Determination of assessment is the responsibility of the Municipal Property Assessment Corporation (MPAC).

Although taxes shift between properties due to reassessment, total taxes collected by municipalities do not change due to reassessment.

In Durham, the average 2009 Current Value Assessment of all properties increased by approximately 3.8 per cent.

The following chart illustrates the 2009 property tax impact of the Provincially mandated Ontario-wide reassessment.


TAX INCREASE
Regional Property Tax Increase due to Reassessment
For a property with a 4.8% increase in value due to the reassessment, 2009 Regional taxes increased approximately 1.0% (i.e. 4.8% less the 3.8% average).
3.8%
TAX DECREASE
Regional Property Tax Decrease due to Reassessment
For a property with a 3.0% increase in value due to the reassessment, 2009 Regional taxes fell approximately 0.8% (i.e. 3.0% less the 3.8% average)

As a result of the reassessment, approximately 75 per cent of Durham residential properties experienced a Regional reassessment related tax decrease in 2009.

WATER SUPPLY AND SANITARY SEWERAGE

Water supply and sanitary sewerage operations are not funded through property taxes, but are funded primarily through uniform user rates. The Region provides safe reliable operations and maintenance of water supply and sanitary sewerage systems, and meets all regulatory and user requirements. Water and sewer rates, rate structure, development charge receipts and long-term capital requirements are reviewed annually to ensure adequate funding.

During 2009, the Region continued its asset management program, including comprehensive information on inventory, condition, replacement value, and long-term capital requirements. The asset management strategy ensures adequate funding for the long-term rehabilitation and replacement of water and sewer infrastructure.

The Region adheres to the user pay principle when setting rates, resulting in charges to water and sewer customers in proportion to costs. In 2009, a 7.4 per cent water and sewer rate increase was approved to fund:

- Increased labour, chemical and utility costs;
- Increased costs associated with the Supervisory Control and Data Acquisition System (SCADA);
- Increased debenture costs associated with new capital for compliance, and expansion of the Duffin Creek Water Pollution Control Plant (Biosolids Management); and,
- Watermain and sanitary sewer replacements.

Surplus from operations is transferred to the respective treatment plant/rate stabilization reserve fund to finance future capital. Reserve fund balances at year-end 2009 were $72.4 million for sanitary sewerage and $32.4 million for water supply.

COMMISSIONER OF FINANCE AND TREASURER'S REPORT

2009 FINANCIAL RESULTS

Tangible Capital Assets

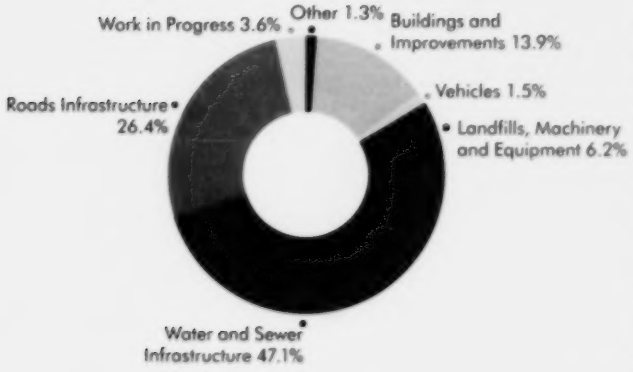
Capital investment is necessary to maintain infrastructure and provide for future requirements. The net book value of the Region's tangible capital assets (TCA) increased by $79.8 million in 2009, to $3.13 billion, compared to a level of $3.05 billion at December 31, 2008.

Although capital spending included other capital improvements, major 2009 additions to TCA included:

- Road expansion along Taunton Road ($35 million);
- Police, public works, emergency medical services (EMS) and transit vehicles ($6.5 million); and,
- EMS stations in the City of Pickering and the Municipality of Clarington at Courtice ($5.4 million).

The Region's 2009 capital expenditure program was financed from property taxes, reserves and reserve funds, developer contributions, subsidies and recoveries.

NET BOOK VALUE AT DECEMBER 31, 2009
($3.13 BILLION)



Operating Expenses

Expenses for operations increased in 2009 by 4.9 per cent from $880.3 million in 2008 to $923.4 million in 2009. Major 2009 operating expenses were focused on priority areas, including additional expenses for:

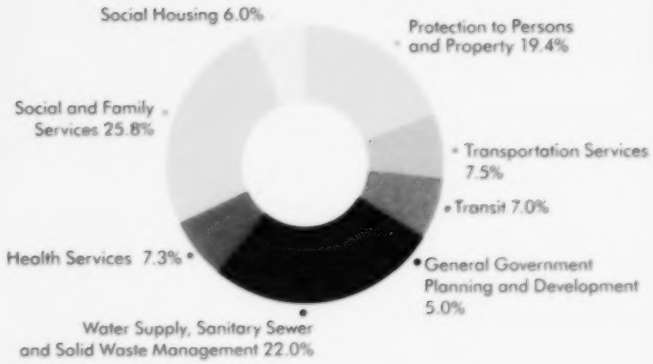
- 26 new police officers and five support staff;
- Public health programs and emergency medical services advanced care paramedic training and 12 new paramedics and two shift managers;
- Funding for road and bridge rehabilitation and improvements and higher winter control costs;
- Enhanced transit services on selected routes;
- New funding for solid waste management programs, including landfill remediation and diversion;
- New staffing for long-term care programs, significantly offset by Provincial subsidies from the province; and,
- New funding for housing programs and Ontario Works.

Revenues

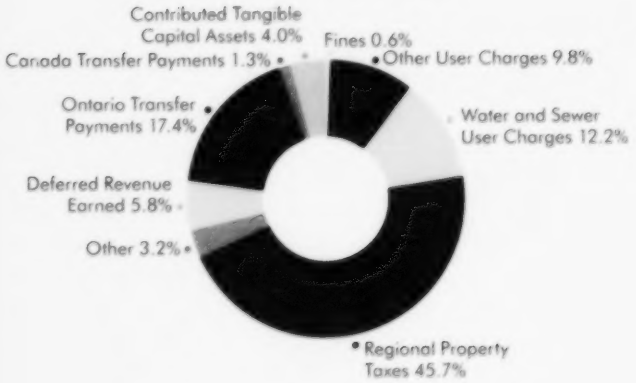
Total revenues in 2009 ($1.08 billion) were utilized to finance operations, reserves and reserve funds contributions and tangible capital asset acquisitions. Revenues include property taxation revenues, user charges, provincial and federal government transfers and subsidies, contributions from development charges for growth-related capital and *Provincial Offences Act* (POA) revenues.

Revenue from property taxes increased to $494.0 million in 2009 compared to $473.0 million in 2008, due to assessment growth and a Regional property taxation increase. The Regional budgetary increase represented an average residential property tax impact of 2.2 per cent for the average residential property owner.

2009 OPERATING EXPENSES ($923.4 MILLION)


Social Housing 6.0%
Protection to Persons and Property 19.4%
Social and Family Services 25.8%
Transportation Services 7.5%
Transit 7.0%
Health Services 7.3%
General Government Planning and Development 5.0%
Water Supply, Sanitary Sewer and Solid Waste Management 22.0%

2009 REVENUES ($1,081 MILLION)



SOLID WASTE MANAGEMENT

The solid waste management budget is separate from the Region's general tax budget and is funded by user fees and a solid waste management property tax rate. Major solid waste expenditures relate to the Region's responsibilities for waste collection, transfer, haulage, processing, disposal, diversion and education initiatives. In 2009, the municipal solid waste stream totalled 231,293 tonnes.

The Region owns and operates an active rural landfill site and manages six closed landfills. The Region also has three waste management facilities, a materials recovery facility, and four hazardous waste depots, with proactive promotional and educational programs to encourage all residents to reduce, reuse, recycle and compost.

Revenue sources for the solid waste management operation consist of solid waste property taxes, user fees, provincial subsidies and the sale of recyclables. Uncertainties that can lead to a surplus (or deficit) position for this operation include unanticipated tonnage variances, provincial subsidy changes, and fluctuating market prices for the sale of diversion materials. At year-end 2009, including interest earnings, the Solid Waste Management Reserve Fund had a balance of $23.9 million.

Municipal solid waste diversion in Durham Region has increased from 37 per cent in 2005 to over 50 per cent in 2009. Having achieved the previous 50 per cent diversion target, Regional Council has established a new diversion target of 70 per cent.

COMMISSIONER OF FINANCE AND TREASURER'S REPORT

2009 FINANCIAL RESULTS

Reserve and Reserve Fund Management

Recognizing their importance to the overall financial strategy, the Region maintains solid reserve and reserve fund positions, ensuring maximum flexibility, minimal impacts from growth and future liabilities, and a solid foundation for the Region's financing philosophy.

Two of Durham Region's most important financing policies are 'pay-as-you-go' capital financing and 'growth-pays-for-growth' development financing, which are reflected in the Region's current and long-standing 'Triple A' credit ratings.

The 'growth-pays-for-growth' development finance policy is implemented through the Region's Development Charges By-laws, which are reviewed at least every five years. Development charges are collected and held to finance future residential and non-residential growth related projects for water, sewer, roads, transit and other specific purposes. In 2009, development charges collected totalled $33.3 million, for a total balance of $281.2 million at December 31, 2009.

Although significant capital outlays for infrastructure are required over the next five years, a continued focus on internal funding minimizes future debt issuance needs, and supports 'pay-as-you-go.'

Regional reserve and reserve fund balances are continuously monitored to ensure they are sustained at adequate and appropriate levels to meet present and future requirements. Reserve and reserve funds, at December 31, 2009, totalled $572.6 million compared to $495.2 million in 2008, an increase of 15.6 per cent. The majority of the Region's reserve and reserve funds are committed towards financing future capital construction costs for water supply, sanitary sewerage, Regional roads, solid waste management and future liabilities, such as sick leave and post employment benefits.

Reserves Set Aside By Council

At the end of 2009, the Region's reserves totalled $239.0 million, an increase in value of $41.1 million or 20.8 per cent compared to the 2008 balance of $197.9 million.

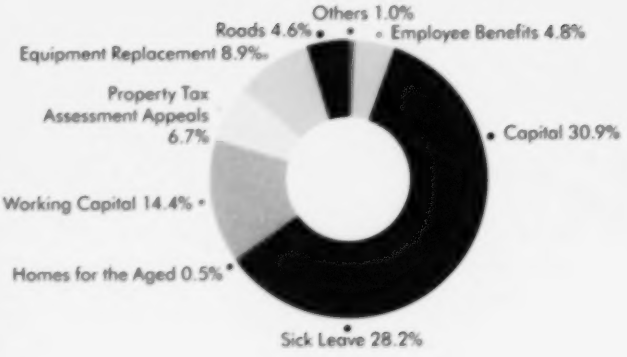
The Region's reserves are established for various reasons, such as providing working capital to mitigate fluctuations in annual cash flows. Two reserves provide the Region with necessary financing for future liabilities: sick leave and contingencies reserves. Other reserves have been established to enable up-front financing of major capital expenditures or are used to finance projects budgeted in one year, but with construction taking place over more than a year (e.g. capital construction, Regional roads, homes for the aged and equipment replacement reserves).

Reserve Funds Set Aside For Specific Purpose By Council

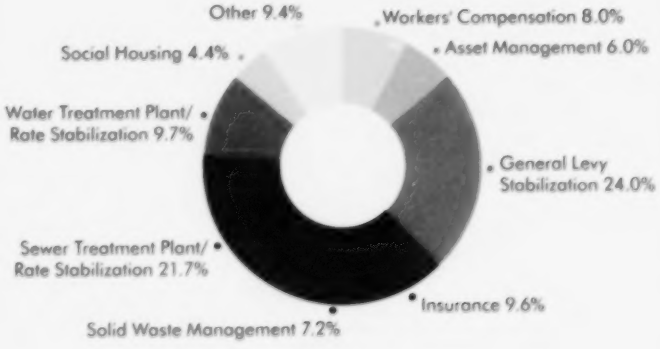
Reserve funds are monies set aside to finance more specific future costs. The Region's reserve funds totalled $333.6 million in 2009, an increase of 12.2 per cent compared to the balance of $297.3 million at the end of 2008. The increase includes strategic contributions to the solid waste management, insurance and asset management reserve funds, given assessments of potential future capital requirements. The Asset Management Reserve Fund was created by Regional Council in recognition of the priority of ensuring the upgrade and replacement of aging infrastructure with minimal impacts to taxpayers. The reserve fund assists in an overall asset management strategy, in accordance with best business practices.

The Region of Durham also maintains a General Levy Stabilization Reserve Fund for property tax stabilization purposes, and to guard against risks of significant unforeseen expenditures.

2009 RESERVES ($239.0 MILLION)



2009 RESERVE FUNDS ($333.6 MILLION)



DEBT POSITION

The Region's debt management policies are governed by provincial legislation and Regional Council approvals. In 2009, no new debt was issued and the Region's net debt burden decreased 8.2 per cent to $170.1 million, compared to $185.3 million at year-end 2008.

The Region maintains low levels of debt and continues to adhere to the 'pay-as-you-go' financing philosophy, to ensure debt issuance only for major projects. The Region's strong capital structure, and solid reserves and reserve funds, also help ensure that debt is minimized.

The Region is responsible for debenture debt totalling $328.5 million at December 31, 2009. Of this debt, $158.4 million or 48.2 per cent was previously issued on behalf of Durham local municipalities and school boards, who in turn are responsible for principal and interest payments.

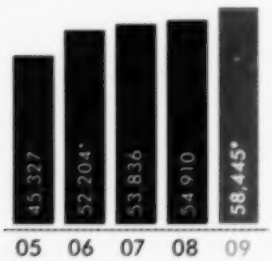
The Region is the authorized entity for debt issuance for all local municipalities within its jurisdictional boundaries.

ECONOMIC INDICATORS

The economic outlook remained uncertain in 2009, as the effects of the global downturn continued to have an impact on key economic indicators. It is anticipated that weak indicators and considerable uncertainty will remain apparent over the next year, although Durham is positioned well to prosper as economic recovery gains momentum.

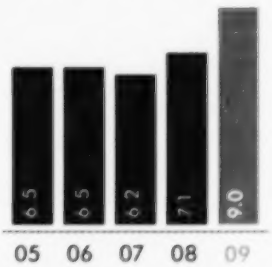
According to the Moody's Investors Service, International Public Finance Special Report of March 2009, Moody's "...does not believe that the on-going economic downturn will lead to a material deterioration of municipal credit profiles. The characteristics that underpin high ratings on Canadian municipalities – strong and stable institutional frameworks, diverse and stable revenues, strong balance sheets, prudent fiscal management and high provincial support – are unlikely to be affected by the current cyclical economic downturn."

DURHAM REGION TAXABLE ASSESSMENT
2005 to 2009 ($ millions)



Note: *Indicates year of reassessment

OSHAWA CMA UNEMPLOYMENT RATES
2005 to 2009 (per cent)



Source: Statistics Canada

Taxable Assessment

Despite the impacts of the economic recession, Durham Region's total taxable assessment base continued to increase in 2009, by $3,535 million to a level of $58,445 million in 2009, including the effect of the Provincial reassessment, compared to a total $54,910 million in 2008.

Durham's assessment growth is currently moderate compared to previous years, when assessment growth was between three and three and one half per cent per annum. It is anticipated to remain moderate, as long as the current economic downturn persists. However, a return to growth of between two per cent and three per cent is anticipated once the local economy is fully recovered from the global recession.

The current value assessment includes provincially mandated reassessments for the years 2006 and 2009.

Unemployment Rates

In 2009, the unemployment rate in the Oshawa CMA averaged 9.0 per cent, equivalent to the rate for the Province of Ontario, and higher than the 8.3 per cent national unemployment rate.

The rate of employment is expected to improve through 2010, particularly later in the year. The local auto sector, hard hit by the economic downturn, is also bringing positive news to light. The General Motors of Canada Oshawa facility is doing well with the greater than anticipated production of the Chevrolet Camaro. The company also confirmed production of the Buick Regal at their Oshawa facility commencing early 2011. The company also announced local production of the Cadillac XTS Platinum in January 2012 and a newer Impala model, or replacement vehicle, in February 2013.

DURHAM IS POSITIONED
WELL TO PROSPER AS ECONOMIC
RECOVERY REGAINS MOMENTUM

ECONOMIC OVERVIEW

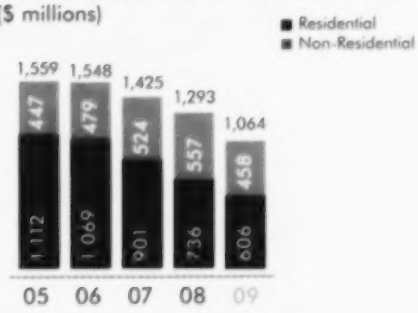
In the short-term, economic uncertainties continue to pose challenges, as world economies work their way through what many hope is the end of the global recession.

Current challenges will be overcome and Durham's resilience in difficult times attests to its significantly increased economic diversification. This and prospects for continued long-term prosperity are bolstered by significant planned private and public sector investments. These include: the new planned community of Seaton in the City of Pickering; energy sector expansions focused around the rebuild and/or expansion of Ontario Power Generation's nuclear energy facilities; a new energy from waste facility; health and education sector facility expansions; and, new Highway 401 interchanges and 400 series highway expansions, including Highway 407.

A significant economic factor for Durham Region, particularly over the last decade, has been a dramatic increase in residential development. With one of the fastest growing populations in Canada, Durham Region is an emerging power.

Significant residential growth is a result of Durham Region's competitive location and economic advantages with respect to relative housing affordability, and a highly developed energy, communications and social infrastructure. The local economy also derives strength from a well-developed transportation network, strong manufacturing base and a relatively young and skilled workforce.

DURHAM REGION BUILDING PERMIT ACTIVITY
2005 to 2009 ($ millions)



Source: Durham Region Planning Department

Building Permits

In 2009, the total value of building permits in Durham Region declined 17.7 per cent to approximately $1 billion. Residential and non-residential activity contributed to the decrease. Durham's share of GTA permit value increased in 2009 to 9.7 per cent.

Major non-residential projects in 2009 included:

- Durham College/University of Ontario Institute of Technology (UOIT) expansions, including a new residence building ($41 million);
- A new GO Transit multi-level commuter parking garage in Whitby ($24 million); and,
- A water pollution control plant expansion ($19 million) and a new Ash Dewatering Facility in Pickering ($6.8 million).

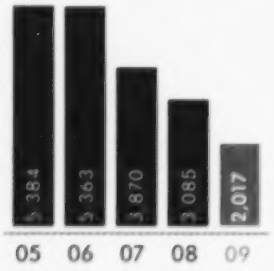
LOCAL ECONOMY

Housing Starts

Housing starts declined in 2009, with 2,017 starts recorded for Durham Region, down 35 per cent from 2008.

Although the local economy has been affected by the global recession, conditions are anticipated to improve through 2010. According to the Conference Board of Canada, all sectors of the Oshawa Census Metropolitan Area (CMA) economy are forecast to post growth for 2010, lifting real GDP growth to a forecast 3.2 per cent.

DURHAM REGION HOUSING STARTS
2005 to 2009



Source: Canada Mortgage and Housing Corporation

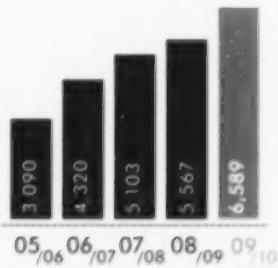
As the recovery takes hold, Durham will benefit from relative housing affordability compared to its Greater Toronto Area neighbours.

Canada Mortgage and Housing Corporation reported the average volume weighted sales price for homes in Durham Region at year-end was $292,927, compared to $474,426 in York Region, $441,607 in the City of Toronto, $440,418 in Halton Region and $357,665 in Peel Region.

University of Ontario Institute of Technology (UOIT)

Since being founded in 2002, UOIT has grown to more than 6,500 undergraduate and graduate students. UOIT offers an exceptional array of undergraduate and graduate programs, many of them unique to Ontario and even Canada. New programs are continuously being developed to meet the demands of today's knowledge-driven economy.

UOIT FULL AND PART-TIME ENROLMENT



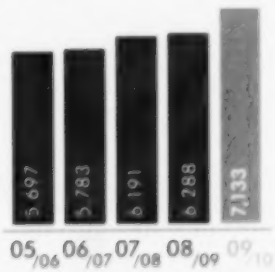
Source: University of Ontario Institute of Technology

Significant economic initiatives from a Regional perspective include the expansion of the downtown Oshawa campus to accommodate the Faculty of Social Science and Humanities, where more than 1,000 faculty, students and staff will join the Faculty of Education. Furthermore, the $73.4 million joint Knowledge Infrastructure Program investment by the federal and provincial governments will be used towards construction of the General Motors Automotive Centre of Excellence (ACE) to open in late 2010, and the Energy Research Centre (ERC) scheduled to open in 2011. ACE will be the first automotive research, development and innovation centre of its kind. It will include a climatic wind tunnel with extreme weather capabilities. The ERC will serve as the premier training facility for energy scientists and nuclear engineers while enabling research in the development of clean and green energy.

Durham College

Durham College offers more than 100 different full-time programs focused on employer demands. The college has over 20,000 students at its Oshawa and Whitby campuses, and at Port Hope, Beaverton and Port Perry satellite locations, with over 7,000 enrolled in full-time programs. The college programs are developed in conjunction with advisory committees, including business and industry experts.

DURHAM COLLEGE FULL-TIME STUDENT ENROLMENT



Source: Durham College

Durham College is also undergoing comprehensive expansion, including an expansion of the Town of Whitby and City of Oshawa campuses. State-of-the-art laboratories and classroom spaces will be added, including energy-efficient technologies. The Oshawa campus will be home to one of the most comprehensive and all encompassing student services buildings in the province. It will serve as a vital first point of access for potential applicants, current students and graduates, establishing a familiar resource over the life of an individual's relationship with the college. The Town of Whitby expansion is designed to be 'energy-neutral' and will provide future innovators with access to both expertise and equipment.

DURHAM-YORK ENERGY FROM WASTE PROJECT PARTNERSHIP

A $235 million energy from waste (EFW) facility is to be designed, built and operated on an approved site in the Municipality of Clarington to process residual solid waste for the next 20 years and beyond.

Covanta Energy Corporation has been selected as the preferred vendor for the design, construction, maintenance and operation of the state-of-the-art facility, subject to approvals and other conditions being met. The Environmental Assessment (EA) and permits are anticipated to be secured during 2010.

The undertaking, as defined by the EA, is a Thermal Treatment Facility capable of processing post-diversion residual waste and recovering materials and energy for the marketplace (recovered metals, electricity and eventually the possibility of district heating and cooling).

The Regions of Durham and York have successfully partnered in a full EA process since 2005. EA study documentation was completed and released in a phased manner, maximizing concurrent activities and facilitating government, peer, and public review, while adhering to the schedule for submission to Ontario's Ministry of the Environment.

COMMISSIONER OF FINANCE AND TREASURER'S REPORT

FINANCIAL MANAGEMENT

Financial Management Controls

The Region of Durham maintains internal administrative and accounting controls to ensure that financial information is reliable and relevant and that the Region's assets are safeguarded. Management systems are in place for accounting, business planning and budgeting, internal audit, and other controls as required to ensure that transactions are appropriately authorized and recorded and the integrity and completeness of financial records are assured.

The Region maintains an internal audit control function through an audit committee comprised of the Office of the Commissioner of Finance (includes involvement of the Treasurer and senior staff audit positions), the CAO and Regional Chair. The committee meets at least annually on audit results and any management or control issues.

Independent external audit processes are also conducted periodically by external auditor Deloitte & Touche LLP, at the discretion of this senior management group, who reviews findings and where necessary implements appropriate corrective actions or improvements under appropriate reporting mechanisms.

The Region's Purchasing By-law and Budget Management Policy, in conjunction with other Regional policies and provincial legislation, govern the fiscal responsibilities of the administration. Regional By-laws and policies prescribe purchasing, accounting, investment, risk management and debt policies and procedures that ensure effective and clear guidelines for expenditures and the requisition of goods and services.

The Budget Management Policy addresses the balance between Regional expenditures and the availability of funding. Budget management and purchasing policies provide an accountability framework to establish the extent of authority for spending decisions, both planned and unplanned, and outline the discretion permitted in those spending decisions, delegated by Regional Council.

The Region of Durham's commitments to long-term financial planning and sound fiscal policies provide a solid foundation for financial management and promote a healthy capital financing structure. The Region's 'pay-as-you-go' financing philosophy, low levels of debt issuance, strong reserve and reserve fund strategies, and 'growth-pays-for-growth' development financing policy contribute to the Region's fiscal strength and are consistently recognized by bond rating agencies in their annual reviews.

Durham's 'Triple A' Credit Ratings Reconfirmed

In 2009, both Standard & Poor's and Moody's Investors Service reaffirmed the Region's financial strengths, upholding Durham's long-standing 'Triple A' credit rating for the Region's long-term debentures with a continued stable outlook. This highest rating places Durham in a select group of municipalities with exemplary reputations in the investment community and who are seen as leaders in fiscal responsibility and integrity.

"The Aaa ('Triple A') debt rating assigned to the Regional Municipality of Durham reflects prudent and conservative fiscal management as well as the Regional Council's commitment to long term planning .... The Regional Municipality of Durham relies on five-year fiscal plans in the development of its operating and capital budgets."
Moody's Investors Service, September 2009

Asset Management

The Region's assets were estimated at the end of 2009 to have a replacement value of approximately $9.0 billion (net book value $3.1 billion). This asset value is an important element in building a long-term asset management and sustainable funding strategy. It provides a better understanding of the magnitude of assets owned by the Region and requirements to safely and efficiently maintain them over their useful life.

There is also an ongoing need to invest in infrastructure due to both Durham's steady growth and increasing quality standards and regulatory requirements. Financing for the rehabilitation and replacement of capital infrastructure has historically been limited to user revenue for water and sewer, and property tax levy for roads and other infrastructure. More recently, senior governments have increased funding commitments, allocating Durham $28.4 million from the Investing in Ontario Fund (2008), $17 million from the Infrastructure Stimulus Fund (2009), $34 million from the Building Canada Fund (2010), and $15.5 million from the Social Housing Renovation and Retrofit Program (2010/2011).

Durham limits the use of development charge financing for the current year's capital program to available funding from the prior year's development charge reserve fund. This financing policy allows the Region to meet commitments regardless of current year building activity (i.e. the development charge fund balances at December 31, 2009 determined available financing for the 2010 growth related capital programs). Further, to minimize debenture costs, the Region's 'pay-as-you-go' policy encourages long-term infrastructure planning and the accumulation of funds for major projects, lowering debt and enhancing financial flexibility.

THE REGION'S TANGIBLE CAPITAL ASSET PROJECT

The Region of Durham has adopted the requirements of the Canadian Institute of Chartered Accountants Public Sector Accounting Board (PSAB) Section 3150, Tangible Capital Assets (TCA) of the Public Sector Accounting Handbook. This Section requires all municipalities in Canada to create an inventory of their assets and determine their historical cost and associated accumulated amortization and amortize the assets on an annual basis. This information appears on the Region's 2009 Consolidated Financial Statements for the first time. As part of this process, the Region's 2008 Consolidated Financial Statements have also been restated to include TCA.

Staff continue to refine ongoing processes and policies to ensure that the Region of Durham maintains compliance with the guideline established under PSAB Section 3150. To assist with this, improvements to the Region's financial system are being made to ensure that the life of our assets can be tracked from inception to disposal. This level of improved and more comprehensive asset information will allow for the Region's asset management strategy to expand to include all Regional assets and thus provide an accurate estimation of the total replacement cost of Regional assets, along with the appropriate timeframe for replacement.

COMMISSIONER OF FINANCE AND TREASURER'S REPORT

FINANCIAL MANAGEMENT

Financial Accountability

The Region fully supports the goal of financial accountability to taxpayers, an objective at the heart of all Regional corporate strategies and the Durham Region Strategic Plan 2009 - 2014. Durham is in compliance with all guidelines that are established by the Municipal Performance Measurement Program (MPMP), a province-wide program that requires municipalities to report on measures that reflect the efficiency and effectiveness of public services. Durham Region endorses these guidelines and is also an active member in the Ontario Municipal Benchmarking Initiative (OMBI), a voluntary project to identify and share best practices of service efficiency and quality in Ontario municipalities.

Financial Statements and Management

The consolidated financial statements and all other related information contained in this report are the responsibility of the management of the Regional corporation. Consolidated financial statements have been prepared in accordance with accounting policies established for governments by the Public Sector Accounting Board (PSAB) of the Canadian Institute of Chartered Accountants.

The Region is required by the *Municipal Act, 2001* to engage independent auditors to express an opinion as to whether its consolidated financial statements present the Region's financial position and operating results fairly in all material respects. Deloitte & Touche LLP has fulfilled this audit function as evidenced by the audit reports included within this document.

Where the determination of assets and liabilities is dependent upon future events, amounts contained in this report are based upon reasonably determined estimates and judgements. Financial data presented elsewhere in the annual report is consistent with that of the consolidated financial statements.

Management maintains systems for accounting, business planning and budgeting, and internal audit, as well as other internal controls. These are to provide assurance that transactions are appropriately authorized and recorded accurately, that assets are secured and accounted for, and that the integrity and completeness of financial records are maintained. Durham Regional Council has the sole authority to allocate funds through the approval of the operating and capital business plans and budgets.

The 2009 Consolidated Financial Statements, Notes to the Consolidated Financial Statements, Supporting Schedules, and the Trust Funds Financial Statements have been independently audited by Deloitte & Touche LLP. The Auditors' Reports, which note the fair presentation of Durham's financial position, operations and accumulated surplus, change in net financial assets, and cash flows for the year ended December 31, 2009, are included in the following sections of the 2009 Annual Report.

To assist in conducting financial functions and transactions of the Regional corporation, professional services are provided to the Regional Municipality of Durham as follows: Deloitte & Touche LLP (Auditor); Royal Bank of Canada (Banker); and, RBC Dominion Securities Inc. and CIBC World Markets (Fiscal Agents).

I would also like to acknowledge the dedication and hard work of the financial management team named herein, who work together and with their staff to ensure accurate and timely financial information to Regional Council, Standing Committees, the CAO and other departments and stakeholders within the community and beyond.

R.J. Clapp, CA
Commissioner of Finance and Treasurer
June 30, 2010

Financial Management Team

R. J. Clapp, CA
Commissioner of Finance and Treasurer

P. N. Richards, BBA, MBA
Director of Business Planning, Budgets & Risk Management

M. E. Simpson, BA, MA, CMA
Director of Financial Planning and Purchasing

D. W. Beaton, BAS
Director of Financial Information Management Services

J. M. Cermak, CA
Director of Financial Services

R. A. Crystal, CMA
Manager of Business Plans and Budgets

S. Coward, BA, FCIP, CRM
Manager of Insurance and Risk Management

L. Birkett, CPP, AMCT
Manager of Purchasing

D. Dzikewicz, MBA
Manager of Accounting

K. Facca
Manager of Collections and Customer Service

J. Fice, CA
Manager of Financial Reporting and Analysis

T. Jones, BBA, CPP
Manager of Materials and Office Services

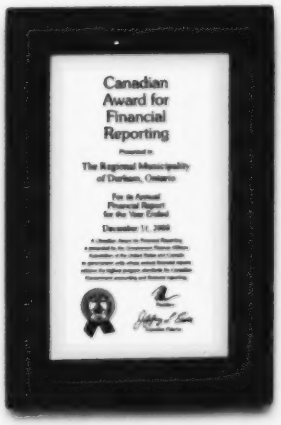
S. Simpson, CMA
Manager of Applications

K. Williamson, CISA
Manager of Technology

CANADIAN AWARD FOR FINANCIAL REPORTING

The Government Finance Officers Association of the United States and Canada (GFOA) awarded a sixth consecutive Canadian Award for Financial Reporting to the Regional Municipality of Durham for its Annual Financial Report for the fiscal year ended December 31, 2008. The Canadian Award for Financial Reporting program was established to encourage municipal governments to publish high quality financial reports and to provide peer recognition and technical guidance for officials preparing these reports.

In order to be awarded a Canadian Award for Financial Reporting, a government unit must publish an easily readable and efficiently organized annual financial report, whose contents conform to program standards. Such reports should go beyond the minimum requirements of Generally Accepted Accounting Principles and demonstrate an effort to clearly communicate the municipal government's financial picture, enhance an understanding of financial reporting by municipal government and address user needs.



The Regional Municipality of Durham

2009 Annual Report

Consolidated Financial Statements and Auditors' Report

for the year ended December 31,2009

The Regional Municipality of Durham, Ontario, Canada

Deloitte.

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
Canada

Tel: 416-601-6150
Fax: 416-601-6151
www.deloitte.ca

Auditors' Report

To the Members of Council, Inhabitants
and Ratepayers of the Corporation of the
Regional Municipality of Durham

We have audited the consolidated statement of financial position of the Corporation of the Regional Municipality of Durham as at December 31, 2009 and the consolidated statements of operations and accumulated surplus, change in net financial assets and of cash flows for the year then ended. These financial statements are the responsibility of the Region's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these consolidated financial statements present fairly, in all material respects, the financial position of the Corporation of the Regional Municipality of Durham as at December 31, 2009 and the results of its operations and its cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
June 11, 2010

Membre de / Member of Deloitte Touche Tohmatsu

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Consolidated Statement of Financial Position

December 31, 2009 (in thousands of dollars)

	2009	2008 Restated (Note 3)
FINANCIAL ASSETS		
Cash	$ 22,436	$ 21,388
Investments (Note 4)	1,198,641	1,130,847
Accounts receivable	72,701	54,705
Other current assets	789	853
Debenture debt recoverable from local municipalities and school boards (Note 5)	158,433	168,239
	1,453,000	1,376,032
FINANCIAL LIABILITIES		
Accounts payable and accrued liabilities	169,846	154,715
Deferred revenue - Schedule 1	367,354	366,390
Debenture debt (Note 5)	328,525	353,583
Employee benefits and post-employment liabilities (Note 6)	128,135	120,538
Landfill closure and post closure liabilities (Note 7)	8,126	8,640
	1,001,986	1,003,866
NET FINANCIAL ASSETS	$ 451,014	$ 372,166
NON-FINANCIAL ASSETS		
Tangible capital assets (Note 8)	3,130,486	3,050,677
Inventories	5,795	6,111
	3,136,281	3,056,788
ACCUMULATED SURPLUS (Note 9)	$ 3,587,295	$ 3,428,954

The accompanying notes and schedules are an integral part of these consolidated financial statements.

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Consolidated Statement of Operations and Accumulated Surplus

Year ended December 31, 2009 (in thousands of dollars)

	2009		2008
	Budget	Actual	Actual
	Unaudited (Note 16)		Restated (Note 3)
REVENUES			
Property taxes	$ 481,767	$ 494,037	$ 472,972
User charges			
Water and sewer	128,624	132,134	122,841
Other	110,149	105,707	110,020
Government transfers			
Canada	14,954	13,612	12,228
Ontario	212,021	187,926	171,149
Deferred revenue earned - Schedule 1	59,081	63,121	35,019
Fines (Note 14)	6,500	6,435	6,292
Contributed tangible capital assets (Note 8)	44,000	43,426	51,758
Other	14,683	35,306	56,298
TOTAL REVENUES	1,071,779	1,081,704	1,038,577
EXPENSES			
General government	37,851	38,871	37,946
Protection to persons and property	177,145	179,526	171,694
Transportation services	68,939	69,132	64,905
Transit	70,651	64,583	68,207
Environmental services	210,083	202,814	192,691
Health services	71,882	67,568	64,374
Social and family services	240,003	238,488	221,794
Social housing	56,286	55,213	51,497
Planning and development	7,393	7,168	7,208
TOTAL EXPENSES	940,233	923,363	880,316
ANNUAL SURPLUS	131,546	158,341	158,261
ACCUMULATED SURPLUS, BEGINNING OF YEAR	3,428,954	3,428,954	3,270,693
ACCUMULATED SURPLUS, END OF YEAR (Note 9)	$ 3,560,500	$ 3,587,295	$ 3,428,954

The accompanying notes and schedules are an integral part of these consolidated financial statements.

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Consolidated Statement of Change in Net Financial Assets

Year ended December 31, 2009 (in thousands of dollars)

	2009		2008
	Budget	Actual	Actual
	Unaudited (Note 16)		Restated (Note 3)
ANNUAL SURPLUS	$ 131,546	$ 158,341	$ 158,261
Acquisition of tangible capital assets	(187,949)	(135,116)	(92,479)
Contributed tangible capital assets	(44,000)	(43,426)	(51,758)
Amortization of tangible capital assets	97,000	95,377	91,462
Loss on disposal of tangible capital assets	-	3,356	5,192
Change in inventories	-	316	(10)
INCREASE IN NET FINANCIAL ASSETS	(3,403)	78,848	110,668
NET FINANCIAL ASSETS, BEGINNING OF YEAR	372,166	372,166	261,498
NET FINANCIAL ASSETS, END OF YEAR	$ 368,763	$ 451,014	$ 372,166

The accompanying notes and schedules are an integral part of theses consolidated financial statements.

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Consolidated Statement of Cash Flows

Year ended December 31, 2009 (in thousands of dollars)

	2009	2008 Restated (Note 3)
OPERATING		
Annual surplus	**$ 158,341**	$ 158,261
Non-cash charges to operations		
Amortization of tangible capital assets	**95,377**	91,462
Contributed tangible capital assets (Note 8)	**(43,426)**	(51,758)
Loss on disposal of tangible capital assets	**3,356**	5,192
Change in non-cash assets and liablilties		
(Increase) in accounts receivable	**(17,996)**	(2,333)
Decrease in other current assets	**64**	63
Increase/(decrease) in accounts payable and accrued liabilities	**15,131**	(18,365)
Increase in deferred revenue	**964**	108,917
Increase in employee benefits and post-employment liabilities	**7,597**	6,310
(Decrease) in landfill closure and post closure liabilities	**(514)**	(1,224)
Decrease/(increase) in inventories	**316**	(10)
Net increase in cash from operating activities	**219,210**	296,515
CAPITAL		
Acquisition of tangible capital assets	**(135,116)**	(92,479)
INVESTING		
Net (increase) in investments	**(67,794)**	(181,245)
FINANCING		
Regional debenture principal repayments	**(15,252)**	(14,454)
NET INCREASE IN CASH, DURING THE YEAR	**1,048**	8,337
CASH, BEGINNING OF YEAR	**21,388**	13,051
CASH, END OF YEAR	**$ 22,436**	$ 21,388

The accompanying notes and schedules are an integral part of these consolidated financial statements.

1. MUNICIPAL STRUCTURE

The Corporation of the Regional Municipality of Durham (the "Region") came into existence on October 15, 1973 and assumed its responsibilities on January 1, 1974, under authority of the *Regional Municipality of Durham Act, 1973*, and operates as an upper tier government in the Province of Ontario, Canada.

The Region comprises the following local municipalities:

- Town of Ajax
- Township of Brock
- Municipality of Clarington
- City of Oshawa
- City of Pickering
- Township of Scugog
- Township of Uxbridge
- Town of Whitby

Within these local municipalities, the Region provides a wide range of services, which reflect the major organizational divisions and service offerings provided to stakeholders. The services are classified by the following segments:

General Government

This segment consists of the following administrative departments: Regional Council, Offices of the Regional Chair, CAO, Clerks, Finance, Legal, Human Resources, Planning and Economic Development and Tourism. In addition to the governmental operation, the services of this segment include Regional official plan formulation and administration, regional development and promotion, and administrative and financial support, including debt issues and property tax policy.

Protection to Persons and Property

This segment includes Police Services, Conservation Authorities, Emergency Management, Fire Co-ordination, 911 emergency telephone services, and the administration, prosecution and collection of fines under the *Provincial Offences Act*.

Roadways

This segment consists of the planning, design, construction and maintenance of Regional roads, including winter control, and associated traffic signal systems and controls.

Transit

Durham Region Transit Commission ("DRT") is an integrated public transit system serving all communities in the Region.

Environmental Services

This segment includes:

- Solid Waste Management – solid waste collection, disposal and diversion (for all local municipalities with the exception of collection completed by the City of Oshawa and the Town of Whitby directly) and recycling programs;
- Water Supply – supply, treatment and distribution of water; and,
- Sanitary Sewerage – sewage collection and treatment, and the maintenance of regional storm sewers.

1. MUNICIPAL STRUCTURE (CONTINUED)

Health Services

Services provided include public health programs targeted at the prevention of disease, health promotion and protection as well as land ambulance services.

Social and Family Services

The following services are included in this segment: Income and Employment Support, Long-term Care and Services for Seniors, Children's Services, and Family Services.

Social Housing

This segment is responsible for the provision, in partnership with the community, of subsidized housing, rent supplement programs and homelessness programs.

2. SUMMARY OF ACCOUNTING POLICIES

The consolidated financial statements of the Region are representations of management prepared in accordance with generally accepted accounting principles for government as recommended by the Public Sector Accounting Board ("PSAB") of the Canadian Institute of Chartered Accountants.

The focus of PSAB financial statements is on the financial position of the Region and changes thereto. The Consolidated Statement of Financial Position reports financial assets and liabilities, and the non-financial assets of the Region. Financial assets are available to provide resources to discharge existing liabilities or finance future operations. Accumulated surplus represents the financial position of the Region and is the difference between assets and liabilities.

(a) Reporting Entity

i. The consolidated financial statements reflect financial activities of all entities that are controlled by the Region, and include the Durham Regional Police Services Board, DRT, and the Durham Regional Local Housing Corporation ("DRLHC"). Operations of other social housing providers are not consolidated in these consolidated financial statements as the Region does not exercise control over them. Funding paid to these providers is recorded as Social housing expenses in the Consolidated Statement of Operations and Accumulated Surplus.

ii. Trust Funds administered by the Region are not included in these consolidated financial statements. Trust Funds are disclosed separately in the Trust Funds Statement of Financial Position and the Trust Funds Statement of Financial Activities and Fund Balances.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

(b) Basis of Accounting

i. Accrual Basis of Accounting

Revenues and expenses are reported on the accrual basis of accounting. The accrual basis of accounting recognizes revenues in the period in which transactions or events occurred that gave rise to the revenues; expenses are recognized in the period the goods and services are acquired and a liability is incurred or transfers are due.

ii. Non-financial assets

Non-financial assets are not available to discharge existing liabilities and are held for use in the provision of services. They have useful lives extending beyond the current year, and are not intended for sale in the ordinary course of operations.

(a) Tangible capital assets

Tangible capital assets are recorded at cost, which includes amounts that are directly attributable to acquisition, construction, development or betterment of the asset. The cost, less residual value, of tangible capital assets, excluding land and active landfill sites, is amortized on a straight line basis over their estimated useful lives as follows:

	Useful Life - Years
Land improvements	20
Buildings and building improvements	15 - 80
Vehicles	3 - 15
Machinery and equipment	3 - 30
Water and wastewater - infrastructure	20 - 80
Roads - infrastructure	30 - 100

Active landfill sites are amortized using the units of production method based upon capacity used during the year.

Annual amortization is charged in the year of acquisition and in the year of disposal. Tangible capital assets under construction are not amortized until the tangible capital asset is in service.

(b) Contributed tangible capital assets

Tangible capital assets received as contributions, primarily water and wastewater infrastructure, and the related revenue are recorded at their fair value on the earlier of the date received or the transfer of risk and responsibility.

(c) Leases

Leases are classified as operating or capital leases. Leases which transfer substantially all of the benefits and risks incidental to ownership of property are accounted for as capital leases. All other leases are accounted for as operating leases and the related payments are charged to expenses as incurred.

(d) Inventories

Inventories held for consumption are recorded at the lower of cost or replacement cost.

2. SUMMARY OF ACCOUNTING POLICIES (CONTINUED)

iii. Pension and Employee Benefits

The Region accounts for its participation in the Ontario Municipal Employees Retirement System ("OMERS"), a multi-employer public sector pension fund, as a defined contribution plan. The OMERS plan specifies the retirement benefits to be received by employees based on length of service and pay rates.

Employee benefits include vacation entitlements, sick leave benefits, certain post-employment benefits and workplace safety and insurance ("WSI") benefits. Vacation entitlements are accrued as entitlements are earned. Sick leave, other post-employment and WSI benefits are subject to actuarial valuations and are accrued in accordance with the projected benefit method, prorated on service, and management's best estimate of salary escalation and retirement ages of employees. Any actuarial gains and losses related to past service of employees are amortized over the expected average remaining service life of the employee groups or, over the mean term of the liability in the case of WSI benefits.

iv. Deferred Revenue

Development charges collected under the *Development Charges Act, 1997*, government transfers of gas taxes and other conditional grants are reported as deferred revenue in the Consolidated Statement of Financial Position. These amounts will be recognized as revenues in the period in which related transactions or events occur.

v. Investments

Investments are recorded at the lower of cost plus accrued interest or market value.

vi. Government Transfers

Government transfers are recognized in the period in which the events giving rise to the transfers occur, providing the transfers are authorized, eligibility criteria are met, and reasonable estimates of the amounts can be made. Significant transfers recognized as revenue include Social Assistance, Children's Services, Health Services, Services for Seniors and Emergency Medical Services cost shared programs. Significant transfers recognized as expenses include Social Assistance payments to individuals and payments to Social Housing providers.

vii. Use of Estimates

The preparation of these consolidated financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts in the consolidated financial statements and accompanying notes. Significant estimates relate to accounts receivable and accrued liabilities. Due to the inherent uncertainty in making estimates, actual results could differ from those estimates.

viii. Segment Disclosure

Revenues and expenses of the segments identified in Note 1 include amounts that are directly attributable to the segment and amounts that can be allocated on a reasonable basis. Items which are corporate in nature and not subject to allocation are identified as unallocated. The accounting policies used in these segments are consistent with the accounting policies noted above.

3. CHANGE IN ACCOUNTING POLICIES

The Region has implemented Sections 1200 "Financial Statement Presentation" and 3150 "Tangible Capital Assets" of the Public Sector Accounting Handbook. Section 1200 establishes general reporting principles and standards for the disclosure of information in consolidated financial statements. The Region implemented Section 1200 in the current fiscal year and comparative figures have been reclassified to conform to the current year's presentation. Section 3150 requires the Region to record and amortize its tangible capital assets in these consolidated financial statements. Previously, the cost to acquire tangible capital assets was recorded as a capital expenditure when incurred. The Region adopted Section 3150 retroactively as at January 1, 2009 with restatement of the prior period.

Method used for determining the opening cost of each major category of tangible capital assets
The opening cost recorded is comprised of either the actual or the estimated historical cost of the tangible capital assets. When historical cost records were not available, other methods were used to estimate the cost and accumulated amortization of the tangible capital assets. The Region applied a consistent method of estimating the replacement or reproduction cost of the tangible capital assets for which it did not have historical cost records, except in circumstances where it could be demonstrated that a different method would provide a more accurate estimate of the cost of a particular type of tangible capital asset. After defining replacement or reproduction cost, a deflator study was used as a resource for determining appropriate indices in order to deflate the replacement or reproduction cost to an estimated historical cost for the year of acquisition.

3. CHANGE IN ACCOUNTING POLICIES (CONTINUED)

The changes have been applied retroactively and the results of prior periods have been restated. The adoption of these accounting policies have changed amounts reported in the prior period as follows:

ACCUMULATED SURPLUS	
Capital fund balance	$ 185,549
Reserves	197,875
Reserve funds	291,234
Amounts to be recovered	(302,492)
Accumulated surplus, as previously reported	372,166
Net book value of tangible capital assets	3,050,677
Inventories	6,111
ACCUMULATED SURPLUS, AS RESTATED	$ 3,428,954

ANNUAL SURPLUS	
Net revenues, as previously reported	$ 110,668
Tangible capital assets capitalized but previously expensed	92,479
Contributed tangible capital assets not previously recorded	51,758
Amortization expense not previously recorded	(91,462)
Loss on disposal of tangible capital assets	(5,192)
Change in inventories previously reported as expense	10
ANNUAL SURPLUS, AS RESTATED	$ 158,261

4. INVESTMENTS

Investments consisting of bankers acceptances, treasury bills, bonds and money market notes have a book value of $1,199,388 (2008 – $1,131,238) and a market value of $1,198,641 (2008 – $1,130,847).

5. DEBENTURE DEBT

(a) Debenture debt reported on the Consolidated Statement of Financial Position is made up of the following:

	2009	2008
Total debenture debt	**$ 328,525**	$ 353,583
Less debenture debt recoverable from:		
Local municipalities	**(157,473)**	(166,960)
School boards	**(960)**	(1,279)
Debenture debt recoverable	**(158,433)**	(168,239)
Net Regional debenture debt	**$ 170,092**	$ 185,344

Interest rates for the debenture debt range from 1.845 percent to 10 percent, with maturities between July 2010 and March 2029. Local municipalities and school boards assumed responsibility for payment of principal and interest charges for their respective portions of the debenture debt. The Region is contingently liable for all of these debentures.

(b) The net Regional debenture debt principal repayments required over the next five years are as follows:

	2010	2011	2012	2013	2014
Water Supply Operation	$ 4,281	$ 4,532	$ 2,815	$ -	$ -
Sanitary Sewerage Operation	4,637	4,791	4,959	5,139	5,330
Homes for the Aged	16,078	3,417	2,959	3,129	3,309
General Government	1,606	1,699	1,796	1,900	2,009
	$ 26,602	$ 14,439	$ 12,529	$ 10,168	$ 10,648

These payments are within the annual debt repayment limit prescribed by the Ministry of Municipal Affairs and Housing.

(c) Total interest charges for net Regional debenture debt reported on the Consolidated Statement of Operations and Accumulated Surplus are $10,114 (2008 - $10,934).

6. EMPLOYEE BENEFITS AND POST-EMPLOYMENT LIABILITIES

The Region provides certain employee benefits that require funding in future periods. These benefits include extended health and dental, sick leave, and benefits mandated under the *Workplace Safety and Insurance Act*. The accrued benefit liability and expense amounts are based on the results of the most recent triennial actuarial valuation, prepared by an independent actuary at December 31, 2009. These benefits are comprised of:

	2009	2008
Sick leave benefits	**$ 65,537**	$ 62,389
Post-employment benefits	**48,023**	44,591
Workplace safety and insurance benefits	**14,575**	13,558
Total employee benefits and post-employment liabilities	**128,135**	120,538
Less: post retirement liability recognized for existing retirees	**(12,329)**	(12,030)
Employee benefits and post-employment liabilities to be recovered in future years	**$ 115,806**	$ 108,508

Significant management assumptions used in the actuarial valuations are:

Discount rate	5 %
Inflation rate	2 %
Dental benefit cost escalation	4 %
Medical benefit cost escalation	7.333 % reducing to 4 % over 10 years

6. EMPLOYEE BENEFITS AND POST-EMPLOYMENT LIABILITIES (CONTINUED)

(a) Sick Leave Benefits

Employees accrue sick leave benefits for future use. In addition, certain sick leave benefit plans provide for accumulation of unused benefits and employees may become entitled to a cash payment when they leave the Region's employment. Liabilities for these two components of sick leave benefits are determined by actuarial valuation, the results of which are:

	2009	2008
Liability for sick leave benefits		
Accrued benefit obligation, beginning of year	$ 60,335	$ 57,392
Current period benefit cost	5,386	4,818
Interest on accrued benefit obligation	3,024	2,871
Actuarial gains	(1,432)	-
Benefit payments	(5,082)	(4,746)
Accrued benefit obligation, end of year	62,231	60,335
Unamortized actuarial gains	3,306	2,054
Liability for sick leave benefits	$ 65,537	$ 62,389
Sick leave benefit expense		
Current period benefit cost	$ 5,386	$ 4,818
Interest on accrued benefit obligation	3,024	2,871
Amortization of actuarial gains	(180)	(181)
Total sick leave benefit expense	$ 8,230	$ 7,508

The actuarial gains are amortized over the expected average remaining service life of 12 to 15 years.

6. EMPLOYEE BENEFITS AND POST-EMPLOYMENT LIABILITIES (CONTINUED)

(b) Post-Employment Benefits

The Region provides continued benefits to qualifying employees following retirement. Benefit entitlement ceases at age 65, with the exception of Police Service employees whose entitlement ceases at age 70, and of certain DRT employees whose coverage is maintained for life. The liability for post-employment benefits as determined by actuarial valuation is as follows:

	2009	2008
Liability for post-employment benefits		
Accrued benefit obligation, beginning of year	$ 50,012	$ 47,732
Current period benefit cost	2,287	2,058
Increase due to plan amendment	440	-
Interest on accrued benefit obligation	2,500	2,384
Actuarial gains	(1,586)	-
Benefit payments	(2,293)	(2,162)
Accrued benefit obligation, end of year	51,360	50,012
Unamortized actuarial losses	(3,337)	(5,421)
Liability for post-employment benefits	$ 48,023	$ 44,591
Post-employment benefit expense		
Current period benefit cost	$ 2,287	$ 2,058
Cost of plan amendment incurred during year	440	-
Interest on accrued benefit obligation	2,500	2,384
Amortization of actuarial losses	498	498
Total post-employment benefit expense	$ 5,725	$ 4,940

The actuarial gains and losses are amortized over the expected average remaining service life of 12 to 14 years.

6. EMPLOYEE BENEFITS AND POST-EMPLOYMENT LIABILITIES (CONTINUED)

(c) Workplace Safety and Insurance (WSI) Benefits

The Region is a Schedule II employer under the Workplace Safety and Insurance Act and follows a policy of self-insurance for employees. Accordingly, the Region assumes liability for awards made under the Act, reimbursing the Workplace Safety and Insurance Board for costs relating to its workers' claims. The liability for WSI benefits as determined by actuarial valuation is as follows:

	2009	2008
Liability for WSI benefits		
Accrued benefit obligation, beginning of year	$ 15,005	$ 14,541
Current period benefit cost	2,707	2,328
Interest on accrued benefit obligation	749	721
Actuarial gains	(56)	-
Benefit payments	(2,745)	(2,585)
Accrued benefit obligation, end of year	15,660	15,005
Unamortized actuarial losses	(1,085)	(1,447)
Liability for WSI benefits	$ 14,575	$ 13,558
WSI benefit expense		
Current period benefit cost	$ 2,707	$ 2,328
Interest on accrued benefit obligation	749	721
Amortization of actuarial losses	306	305
Total WSI benefit expense	$ 3,762	$ 3,354

The actuarial gains and losses are amortized over the mean term of the liabilities, which is 10 years.

7. LANDFILL CLOSURE AND POST CLOSURE LIABILITIES

The Region owns and operates one active landfill site and six closed landfill sites. The total estimated cost (using a discount factor of 6 percent less an estimated inflation factor of 3 percent) for closure and post closure care is $8,902 (2008 - $9,398). The amount reported on the Consolidated Statement of Financial Position is $8,126 (2008 - $8,640) and the amount remaining to be recognized is $776 (2008 - $758).

The Region is responsible for post closure care at the closed sites, which includes monitoring of ground and surface water, leachate and gas, ongoing maintenance and annual reporting, for a period of 40 years. Closure costs include final cover and vegetation, drainage control features, leachate control or monitoring systems, water quality monitoring systems, gas monitoring and recovery, land acquisition (buffer zones), site remediation, and site closure reports.

The liability for closure and post closure care is recognized as capacity of each site is used. For closed sites, 100 percent of the liability is recognized. It is estimated that the remaining capacity of 748,000 cubic metres (2008 – 752,000 cubic metres) at the active site will provide landfill disposal capacity for an additional 84 years (2008 – 85 years).

8. TANGIBLE CAPITAL ASSETS

	2009	2008
Land	$ 32,381	$ 30,423
Landfills	1,035	1,039
Land improvements	5,909	6,008
Buildings and building improvements	433,848	441,840
Vehicles	46,521	49,460
Machinery and equipment	195,520	202,810
Water and wastewater - infrastructure	1,475,921	1,439,269
Roads - infrastructure	827,842	813,752
	3,018,977	2,984,601
Work in progress	111,509	66,076
	$ 3,130,486	$ 3,050,677

The Consolidated Schedule of Tangible Capital Assets (Schedule 2) discloses the changes in the cost and accumulated amortization by category.

(a) Work in Progress
Work in progress, having a value of $111,509 (2008 - $66,076) has not been amortized. Amortization of these assets will commence when the assets are put in service.

(b) Contributed Tangible Capital Assets
Typical examples of contributed tangible capital assets are water and wastewater lines installed by a developer as part of a subdivision agreement. Contributed tangible capital assets transferred to the Region in 2009 amounted to $43,426 (2008 - $51,758).

(c) Tangible Capital Assets Recognized at Nominal Values
Certain tangible capital assets, primarily land under roads, have been assigned a nominal value because of the difficulty of determining a tenable valuation and/or the tangible capital assets were older than their estimated useful lives, and therefore were already fully amortized.

(d) Works of Art and Historical Treasures
No works of art or historical treasures are held by the Region.

(e) Other
During the year, there were no write-downs of assets (2008 - $nil), no interest was capitalized (2008 - $nil), and there are no capital lease obligations (2008 - $nil).

9. ACCUMULATED SURPLUS

The accumulated surplus consists of the following:

	2009	2008 Restated (Note 3)
SURPLUS		
Tangible capital assets	**$ 3,130,486**	$ 3,050,677
Net Regional debenture debt	**(170,092)**	(185,344)
Unexpended capital financing for future capital expenditures	**178,210**	185,549
Unfunded		
Employee benefits and post-employment liabilities (Note 6)	**(115,806)**	(108,508)
Landfill closure and post closure liabilities (Note 7)	**(8,126)**	(8,640)
TOTAL SURPLUS	**3,014,672**	2,933,734
RESERVES SET ASIDE BY COUNCIL		
Working capital	**34,481**	33,156
Property tax assessment appeals	**16,082**	14,642
Equipment replacement	**21,148**	22,315
Regional roads	**10,884**	4,714
Contingencies	**400**	400
Sick leave	**67,445**	50,926
Capital	**73,885**	58,018
Homes for the aged	**1,133**	1,133
Employee benefits	**11,564**	10,575
University of Ontario Institute of Technology	**1,996**	1,996
TOTAL RESERVES	**239,018**	197,875
RESERVE FUNDS SET ASIDE FOR SPECIFIC PURPOSE BY COUNCIL		
Treatment plant/rate stabilization - Sanitary sewerage	**72,386**	63,805
Treatment plant/rate stabilization - Water supply	**32,465**	28,428
Regional share of non-residential development - Sanitary sewerage	**4,146**	4,043
Regional share of non-residential development - Water supply	**3,261**	3,180
Solid waste management	**23,948**	20,327
General levy stabilization	**80,230**	71,315
Regional revitalisation	**1,278**	1,008
Workers' compensation	**26,667**	25,016
York/Durham sanitary sewerage	**5,237**	4,882
Insurance	**32,025**	30,383
Social housing	**14,637**	12,972
Roads rehabilitation	**2,935**	2,177
Asset management	**20,007**	19,191
Other miscellaneous reserve funds	**14,383**	10,618
TOTAL RESERVE FUNDS	**333,605**	297,345
ACCUMULATED SURPLUS	**$ 3,587,295**	$ 3,428,954

10. PENSION CONTRIBUTIONS

The Region contributed $24,737 (2008 - $21,817) to OMERS on behalf of 4,910 employees for current service. Contributions by employees were a similar amount. The Region's contributions are included on the Consolidated Statement of Operations and Accumulated Surplus classified under the appropriate functional expense category.

11. CONTRACTUAL OBLIGATIONS

(a) Sanitary Sewerage System

The Regional Municipality of Durham and the Regional Municipality of York jointly own certain sanitary sewerage systems and have entered into a joint operating agreement, whereby Durham operates and maintains these facilities. Each co-owner is responsible for its share of operating costs based on actual sewerage flows.

(b) Lease Commitments

The Region has commitments under various building lease agreements expiring from 2010 to 2014. These operating leases require approximate annual rental payments for the next five years as follows:

2010	$ 2,551
2011	2,136
2012	1,581
2013	1,323
2014	779
Total	$ 8,370

(c) Capital Works Commitments

The Region has contractual obligations for tangible capital works of approximately $66,801 (2008 - $25,107). Financing for these commitments has been approved by Regional Council.

12. CONTINGENCY

The Region has been named as defendant in certain legal actions in which damages have been sought. The outcome of these actions is not determinable as at December 31, 2009, and accordingly, no provision has been made in these consolidated financial statements for any liability that may result.

13. SOCIAL HOUSING REFORM ACT

Effective January 1, 2001, under the provisions of Bill 128, the Province of Ontario transferred the social housing units of the Ontario Housing Corporation located in the Region to the DRLHC, under the provisions of the *Ontario Business Corporations Act*, with the Region as the sole shareholder. Financial activities of the DRLHC are reported in these consolidated financial statements.

Income producing properties acquired as a result of the transfer were originally financed by the Province of Ontario through general obligation provincial debentures. At the time of the transfer of ownership of the DRLHC to the Region, the Province did not transfer the responsibility for the repayment of the debentures. Accordingly, the properties have been reported as tangible capital assets on the DRLHC's financial statements at the appraised value of each property as of the date of transfer, less accumulated amortization since that date. The current net value of the general obligation provincial debentures has not been reported, as the debentures are not a liability of the DRLHC.

14. PROVINCIAL OFFENCES ADMINISTRATION

Effective December 4, 2000, the Region assumed responsibility for administering collection of fines arising under the *Provincial Offences Act* ("POA") from the Ministry of the Attorney General. The Region performs court support, administration and collection functions for all related fines and fees and prosecutes matters under the POA. The POA is a procedural law for administering and prosecuting provincial offences, including those committed under the *Highway Traffic Act*, *Compulsory Automobile Insurance Act*, *Trespass to Property Act*, *Liquor Licence Act*, municipal by-laws and minor federal offences. Offenders may pay their fines at any Provincial Offences court office in Ontario, at which time the receipts are recorded in the Integrated Courts Operation Network system ("ICON"). The Region recognizes fine revenue when the receipt of funds is recorded in ICON, regardless of the location where payment is made.

Gross revenues, consisting of fines levied under parts I and III (including delay penalties), for POA charges total $6,435 (2008 - $6,292). Net revenues amount to $1,337 (2008 - $1,419). Local municipalities share 60 percent of net revenues and the Region retains 40 percent or $535 (2008 - $568).

15. TRUST FUNDS

Trust Funds administered by the Region amount to $677 (2008 - $706) and are presented in a separate financial statement of trust fund financial position and financial activities and fund balances. As such, balances held in trust by the Region for the benefit of others have not been included in the Consolidated Statement of Financial Position, nor have their operations been included in the Consolidated Statement of Operations and Accumulated Surplus.

16. BUDGET AMOUNTS

The budgets originally approved by Regional Council for 2009, adjusted as noted below, are reflected on the Consolidated Statement of Operations and Accumulated Surplus and the Consolidated Statement of Change in Net Financial Assets.

- An amount for amortization expense has been added and is based on management's best estimate of amortization expense determined at the beginning of the year. Amortization expense was not included in the original council approved budget.
- Amounts for the cost of contributed tangible capital assets and the related revenue have been added and are based on management's best estimate of the value of contributed tangible capital assets determined at the beginning of the year. Neither the cost of the contributed tangible capital assets nor the revenue was included in the original council approved budget.
- Amounts included in the original council approved capital budget which are not recognized as tangible capital assets are included in the Consolidated Statement of Operations and Accumulated Surplus under the appropriate functional expense category, while those recognized as tangible capital assets are included in the Consolidated Statement of Change in Net Financial Assets.

Budget figures have been reclassified for purposes of these consolidated financial statements to comply with PSAB reporting requirements and are unaudited.

17. GUARANTEES

In the normal course of business, the Region enters into agreements that meet the definition of a guarantee. The Region's primary guarantees subject to the disclosure requirements include indemnities in favour of third parties, such as purchase and sale agreements, confidentiality agreements, engagement letters with advisors and consultants, outsourcing agreements, leasing contracts, information technology agreements and service agreements.

These indemnification agreements may require the Region to compensate counterparties for losses incurred by the counterparties as a result of breaches in representation and regulations or as a result of litigation claims or statutory sanctions that may be suffered by the counterparty as a consequence of the transaction. The terms of these indemnities are not explicitly defined and the maximum amount of any potential reimbursement cannot be reasonably estimated.

The nature of these indemnification agreements prevents the Region from making a reasonable estimate of the maximum exposure due to the difficulties in assessing the amount of liability, which stems from the unpredictability of future events and the unlimited coverage offered to counterparties. Historically, the Region has not made any significant payments under such or similar indemnification agreements and therefore no amount has been accrued in the Consolidated Statement of Financial Position with respect to these agreements.

18. COMPARATIVE FIGURES

Certain comparative figures have been reclassified to conform with the current year financial statement presentation.

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Consolidated Schedule of Deferred Revenue

Year ended December 31, 2009 (in thousands of dollars)

Schedule 1

	BALANCE, BEGINNING OF YEAR	INCREASE IN DEFERRED REVENUE				DEFERRED REVENUE EARNED	BALANCE, END OF YEAR
		Interest	Government transfers	Development charges collected	Total	Total	
	$	$	$	$	$	$	$
Development Charges							
Residential & Non-Residential							
Sanitary sewerage	64,166	1,091	-	8,044	9,135	20,872	52,429
Water supply	133,705	2,702	-	10,133	12,835	5,940	140,600
Roads	73,544	874	-	12,006	12,880	16,594	69,830
Transit	6,188	74	-	859	933	140	6,981
Residential							
Police	6,910	182	-	802	984	-	7,894
Homes for the Aged	936	24	-	63	87	(49)	1,072
Development Charge Study	129	4	-	43	47	14	162
GO Transit	-	-	-	1,140	1,140	1,140	-
Emergency Medical Services	1,961	51	-	197	248	-	2,209
Development Charges	287,539	5,002	-	33,287	38,289	44,651	281,177
Gas Tax							
Federal Gas Tax	15,619	551	16,522	-	17,073	1,733	30,959
Provincial Gas Tax	7,494	233	7,491	-	7,724	2,595	12,623
Gas Tax	23,113	784	24,013	-	24,797	4,328	43,582
Conditional Grants							
Transit	22,201	514	-	-	514	487	22,228
Municipal Infrastructure	30,588	22	336	-	358	11,679	19,267
Social Housing	2,949	27	100	-	127	1,976	1,100
Conditional Grants	55,738	563	436	-	999	14,142	42,595
Total	366,390	6,349	24,449	33,287	64,085	63,121	367,354

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2009 (in thousands of dollars)

Schedule 2

	Land	Landfills	Land improvements	Buildings and building improvements	Vehicles	Machinery and equipment	Water and wastewater - infrastructure	Roads - infrastructure	Work in progress	2009 Total
	$	$	$	$	$	$	$	$	$	$
COST										
Balance, beginning of year	30,423	1,389	9,779	578,359	99,940	399,540	1,812,641	1,074,583	66,076	4,072,730
Additions	1,958	-	319	4,617	6,640	14,292	16,429	45,428	165,398	255,081
Contributed tangible capital assets	-	-	-	-	-	-	43,426	-	-	43,426
Work in progress completed	-	-	-	-	-	-	-	-	(119,965)	(119,965)
Disposals	-	-	-	-	(2,757)	(9,142)	(525)	(10,525)	-	(22,949)
BALANCE, END OF YEAR	32,381	1,389	10,098	582,976	103,823	404,690	1,871,971	1,109,486	111,509	4,228,323
ACCUMULATED AMORTIZATION										
Balance, beginning of year	-	350	3,771	136,519	50,480	196,730	373,372	260,831	-	1,022,053
Amortization expense	-	4	418	12,609	9,425	21,190	23,048	28,683	-	95,377
Disposals	-	-	-	-	(2,603)	(8,750)	(370)	(7,870)	-	(19,593)
BALANCE, END OF YEAR	-	354	4,189	149,128	57,302	209,170	396,050	281,644	-	1,097,837
NET BOOK VALUE, END OF YEAR	32,381	1,035	5,909	433,848	46,521	195,520	1,475,921	827,842	111,509	3,130,486

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Consolidated Schedule of Tangible Capital Assets

Year ended December 31, 2008 (in thousands of dollars)

Schedule 2 (Continued)

	Land	Landfills	Land improvements	Buildings and building improvements	Vehicles	Machinery and equipment	Water and wastewater - infrastructure	Roads - infrastructure	Work in progress	2008 Total
	$	$	$	$	$	$	$	$	$	$
COST										
Balance, beginning of year	27,103	1,389	9,241	490,911	89,216	325,202	1,740,547	1,058,836	210,136	3,952,581
Additions	3,320	-	538	87,702	19,757	76,455	21,492	27,275	133,388	369,927
Contributed tangible capital assets	-	-	-	-	-	-	51,758	-	-	51,758
Work in progress completed	-	-	-	-	-	-	-	-	(277,448)	(277,448)
Disposals	-	-	-	(254)	(9,033)	(2,117)	(1,156)	(11,528)	-	(24,088)
BALANCE, END OF YEAR	30,423	1,389	9,779	578,359	99,940	399,540	1,812,641	1,074,583	66,076	4,072,730
ACCUMULATED AMORTIZATION										
Balance, beginning of year	-	342	3,357	124,122	49,474	176,756	351,497	243,939	-	949,487
Amortization expense	-	8	414	12,473	9,805	22,076	22,968	23,718	-	91,462
Disposals	-	-	-	(76)	(8,799)	(2,102)	(1,093)	(6,826)	-	(18,896)
BALANCE, END OF YEAR	-	350	3,771	136,519	50,480	196,730	373,372	260,831	-	1,022,053
NET BOOK VALUE, END OF YEAR	30,423	1,039	6,008	441,840	49,460	202,810	1,439,269	813,752	66,076	3,050,677

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Consolidated Schedule of Segment Disclosure

Year ended December 31, 2009 (in thousands of dollars)

Schedule 3

	General Government	Protection to Persons and Property	Roadways	Transit	Environmental Services	Health Services	Social and Family Services	Social Housing	Unallocated	2009 Total
	$	$	$	$	$	$	$	$	$	$
REVENUES										
Property taxes	-	-	-	-	-	-	-	-	494,037	494,037
User charges	837	18,157	4,272	20,496	168,104	597	19,203	6,175	-	237,841
Government transfers	137	4,599	283	2,306	4,479	44,246	130,774	14,714	-	201,538
Deferred revenue earned	18	-	26,745	6,063	28,369	-	(49)	1,975	-	63,121
Fines	-	6,435	-	-	-	-	-	-	-	6,435
Contributed tangible capital assets	-	-	-	-	43,426	-	-	-	-	43,426
Other	1,351	295	1,954	301	3,644	49	26	-	27,686	35,306
TOTAL REVENUES	2,343	29,486	33,254	29,166	248,022	44,892	149,954	22,864	521,723	1,081,704
EXPENSES										
Salaries, wages and benefits	33,581	142,722	14,881	26,949	46,223	54,539	95,263	4,122	-	418,280
Operating materials and supplies	4,779	14,691	17,779	11,797	57,825	7,001	15,771	5,178	-	134,821
Contracted services	13,528	3,157	1,761	9,339	36,349	1,849	26,472	1,588	-	94,043
Rents and financial services	1,059	3,890	2,821	1,981	7,551	971	1,111	2,459	-	21,843
Government transfers	1,844	9,378	-	8,238	-	-	88,591	40,834	-	148,885
Amortization	2,964	5,188	31,645	4,326	41,754	2,409	6,731	360	-	95,377
Interfunctional charges	(12,039)	115	155	1,943	8,923	506	(227)	624	-	-
Debenture interest	323	385	90	10	4,189	293	4,776	48	-	10,114
TOTAL EXPENSES	46,039	179,526	69,132	64,583	202,814	67,568	238,488	55,213	-	923,363
ANNUAL SURPLUS	(43,696)	(150,040)	(35,878)	(35,417)	45,208	(22,676)	(88,534)	(32,349)	521,723	158,341

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Consolidated Schedule of Segment Disclosure

Year ended December 31, 2008 (in thousands of dollars)

Schedule 3 (Continued)

	General Government	Protection to Persons and Property	Roadways	Transit	Environmental Services	Health Services	Social and Family Services	Social Housing	Unallocated	2008 Total
	$	$	$	$	$	$	$	$	$	$ Restated (Note 3)
REVENUES										
Property taxes	-	-	-	-	-	-	-	-	472,972	472,972
User charges	1,002	19,253	3,991	21,280	162,137	608	18,538	6,052	-	232,861
Government transfers	687	4,197	-	40	2,498	41,621	120,351	13,983	-	183,377
Deferred revenue earned	109	-	7,683	8,438	18,569	-	220	-	-	35,019
Fines	-	6,292	-	-	-	-	-	-	-	6,292
Contributed tangible capital assets	-	-	-	-	51,758	-	-	-	-	51,758
Other	1,295	733	2,806	4	635	50	2	1	50,772	56,298
TOTAL REVENUES	3,093	30,475	14,480	29,762	235,597	42,279	139,111	20,036	523,744	1,038,577
EXPENSES										
Salaries, wages and benefits	31,429	137,126	20,697	25,765	48,506	52,053	88,839	3,840	-	408,255
Operating materials and supplies	6,327	14,813	8,787	13,694	48,428	6,647	15,845	4,915	-	119,456
Contracted services	12,423	3,103	1,787	9,192	34,001	1,877	26,496	1,521	-	90,400
Rents and financial services	850	3,529	4,971	1,760	6,719	723	1,102	2,308	-	21,962
Government transfers	2,006	7,804	-	12,001	-	-	78,165	37,871	-	137,847
Amortization	3,188	4,818	28,574	3,989	41,858	2,236	6,435	364	-	91,462
Interfunctional charges	(11,405)	101	(3)	1,796	8,498	534	(149)	628	-	-
Debenture interest	336	400	92	10	4,681	304	5,061	50	-	10,934
TOTAL EXPENSES	45,154	171,694	64,905	68,207	192,691	64,374	221,794	51,497	-	880,316
ANNUAL SURPLUS	(42,061)	(141,219)	(50,425)	(38,445)	42,906	(22,095)	(82,683)	(31,461)	523,744	158,261

The Regional Municipality of Durham

2009 Annual Report

Trust Funds: Financial Statements and Auditors' Report

for the year ended December 31,2009

The Regional Municipality of Durham, Ontario, Canada

Deloitte.

Deloitte & Touche LLP
5140 Yonge Street
Suite 1700
Toronto ON M2N 6L7
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Auditors' Report

To the Members of Council, Inhabitants
and Ratepayers of the Corporation of the
Regional Municipality of Durham

We have audited the statement of financial position of the trust funds of the Corporation of the Regional Municipality of Durham as at December 31, 2009 and the statement of financial activities and fund balances for the year then ended. These financial statements are the responsibility of the Region's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these financial statements present fairly, in all material respects, the financial position of the trust funds of the Corporation of the Regional Municipality of Durham as at December 31, 2009 and the results of their operations and their cash flows for the year then ended in accordance with Canadian generally accepted accounting principles.

Deloitte & Touche LLP

Chartered Accountants
Licensed Public Accountants
June 11, 2010

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Trust Funds: Statement of Financial Position

December 31, 2009 (in thousands of dollars)

	2009					2008
	Homes for the Aged			Miscellaneous		
	Residents	Donations	Bequests	Donations	Total	Total
FINANCIAL ASSETS						
Cash	$ 290	$ 180	$ 121	$ 86	$ 677	$ 706
FUND BALANCES	$ 290	$ 180	$ 121	$ 86	$ 677	$ 706

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Trust Funds: Statement of Financial Activities and Fund Balances

Year ended December 31, 2009 (in thousands of dollars)

	2009					2008
	Homes for the Aged			Miscellaneous		
	Residents	Donations	Bequests	Donations	Total	Total
REVENUES						
Residents	$ 1,120	$ 99	$ 1	$ -	$ 1,220	$ 1,197
Recipients	-	-	-	44	44	36
Interest earned	3	5	1	-	9	24
TOTAL REVENUES	1,123	104	2	44	1,273	1,257
EXPENDITURES ON BEHALF OF:						
Residents	1,174	85	1	-	1,260	1,315
Recipients	-	-	-	42	42	34
TOTAL EXPENDITURES	1,174	85	1	42	1,302	1,349
NET (EXPENDITURES) REVENUES	(51)	19	1	2	(29)	(92)
FUND BALANCES, BEGINNING OF YEAR	341	161	120	84	706	798
FUND BALANCES, END OF YEAR	$ 290	$ 180	$ 121	$ 86	$ 677	$ 706

The accompanying notes are an integral part of these financial statements.

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Notes to the Trust Funds Financial Statements

December 31, 2009 (in thousands of dollars)

1. ACCOUNTING POLICIES

The financial statements of the trust funds of the Corporation of the Regional Municipality of Durham are the representations of management prepared in accordance with Canadian generally accepted accounting principles and reflect the following policies.

(a) Basis of Accounting

Revenues are recorded in the period in which the transactions or events occurred that gave rise to the revenue. Expenditures are recorded in the period the goods and services are acquired and a liability is incurred.

(b) Use of Estimates

The preparation of the periodic financial statements in conformity with Canadian generally accepted accounting principles, requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amount of revenues and expenditures during the period. Actual results may differ from these estimates.

2. STATEMENT OF CASH FLOWS

A statement of cash flows has not been included in these financial statements as the information that would be provided is readily available from the information presented.

The Regional Municipality of Durham

2009 Annual Report

The Regional Municipality of Durham, Ontario, Canada

Statistical Information: 2005 to 2009

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Statistical Review (Unaudited)

Years ended 2005 to 2009

	2009	Restated 2008
	$	$
CONSOLIDATED STATEMENT OF OPERATIONS AND ACCUMULATED SURPLUS		
Analysis of Revenues		
Property taxes	494,037	472,972
User charges		
Water and sewer	132,134	122,841
Other	105,707	110,020
Government Transfers		
Canada	13,612	12,228
Ontario	187,926	171,149
Deferred revenue earned	63,121	35,019
Fines	6,435	6,292
Contributed tangible capital assets	43,426	51,758
Other	35,306	56,298
TOTAL REVENUES	1,081,704	1,038,577
Analysis of Expenses by Object		
Salaries, wages and employee benefits	418,280	408,255
Operating and general expense	250,707	231,818
Government transfers	148,885	137,847
Amortization	95,377	91,462
Debenture interest	10,114	10,934
TOTAL EXPENSES	923,363	880,316
Analysis of Expenses by Function		
General government	38,871	37,946
Protection to persons and property	179,526	171,694
Transportation services	69,132	64,905
Transit	64,583	68,207
Environmental services	202,814	192,691
Health services	67,568	64,374
Social and family services	238,488	221,794
Social housing	55,213	51,497
Planning and development	7,168	7,208
TOTAL EXPENSES	923,363	880,316
ANNUAL SURPLUS	158,341	158,261
ACCUMULATED SURPLUS, BEGINNING OF YEAR	3,428,954	3,270,693
ACCUMULATED SURPLUS, END OF YEAR	3,587,295	3,428,954

Data prior to 2008 is not comparable and has not been included.

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Statistical Review (Unaudited)

Years ended 2005 to 2009 (in thousands of dollars)

	2009	2008	2007	2006	2005
	$	$	$	$	$
RESERVES					
Working capital	34,481	33,156	31,435	29,791	28,213
Property tax assessment appeals	16,082	14,642	12,840	12,520	12,200
Equipment replacement	21,148	22,315	18,231	13,578	15,054
Regional roads	10,884	4,714	4,211	4,030	3,760
Contingencies	400	400	400	400	400
Sick leave	67,445	50,926	39,123	34,862	31,560
Capital	73,885	58,018	50,045	47,133	54,879
Homes for the Aged	1,133	1,133	1,133	1,133	1,133
Taunton Road capital	-	-	-	-	2,213
Employee benefits	11,564	10,575	5,161	4,283	3,972
University of Ontario Institute of Technology	1,996	1,996	1,991	1,585	997
TOTAL RESERVES	239,018	197,875	164,570	149,315	154,381

		Restated			
	2009	2008	2007	2006	2005
	$	$	$	$	$
RESERVE FUNDS					
Treatment plant/rate stabilization					
Sanitary sewerage	72,386	63,805	54,452	43,402	34,591
Water supply	32,465	28,428	21,500	25,499	23,824
Regional share of non-residential development					
Sanitary sewerage	4,146	4,043	3,900	3,737	3,599
Water supply	3,261	3,180	3,067	2,938	2,830
Solid waste management	23,948	20,327	13,716	10,628	14,734
General levy stabilization	80,230	71,315	65,960	45,622	57,060
Regional revitalization	1,278	1,008	-	-	-
Workers' compensation	26,667	25,016	23,149	21,229	19,555
York/Durham sanitary sewerage	5,237	4,882	4,484	4,151	4,184
Insurance	32,025	30,383	13,750	13,031	12,267
Social housing	14,637	12,972	11,500	9,670	8,276
Roads rehabilitation	2,935	2,177	1,277	864	500
Asset management	20,007	19,191	18,306	19,893	904
Other miscellaneous reserve funds	14,383	10,618	11,002	8,485	7,439
TOTAL RESERVE FUNDS	333,605	297,345	246,063	209,149	189,763

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Statistical Review (Unaudited)

Years ended 2005 to 2009 (in thousands of dollars)

	2009	Restated 2008	2007	2006	2005
	$	$	$	$	$
OBLIGATIONS					
Debt Incurred					
Total debenture debt	328,525	353,583	365,931	372,697	351,228
Debt assumed for others*	(158,433)	(168,239)	(166,133)	(159,191)	(139,723)
Net Regional debt	170,092	185,344	199,798	213,506	211,505
Recovered from					
Tax levy/user rates	140,171	150,245	159,794	168,854	165,442
Other/Reserve Funds	29,921	35,099	40,004	44,652	46,063
	170,092	185,344	199,798	213,506	211,505
Net Regional debt per capita ($)	276	306	335	366	369
Net Regional debt as percentage of total expenditures	18.4%	21.1%	22.3%	23.8%	26.5%
Debt Servicing					
Debt servicing payments	25,366	25,388	25,413	24,709	22,305
Debt servicing as percentage of operating expenditures	2.7%	2.9%	3.5%	3.5%	3.7%
Annual debt repayment limit	146,861	131,643	122,381	107,334	103,250
TAXABLE ASSESSMENT ($ millions)**					
Residential and farm (including multiple residentials)	50,269	47,379	46,464	45,011	38,959
Industrial and commercial	6,835	6,290	6,142	5,954	5,191
Farmland	1,152	1,060	1,054	1,063	978
Other	189	181	176	176	199
Total	58,445	54,910	53,836	52,204	45,327
Assessment analysis					
Annual tax assessment growth rate	1.5 %	1.9%	2.6%	3.0%	3.4%

* School boards and local municipalities

** Current value assessment includes provincially mandated reassessments for 2006 and 2009.

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

Statistical Review (Unaudited)

Years ended 2005 to 2009

	2009	2008	2007	2006	2005
Miscellaneous Information					
Full time employees	4,558	4,350	4,200	4,022	3,767
Building permit values ($ millions)*	1,064	1,293	1,425	1,548	1,558
Average monthly social assistance case load	8,383	6,408	6,355	6,568	6,010
Kilometres of roads	2,158	2,148	2,144	2,119	2,115
Annual volume of treated waste water (megalitres)	80,958	81,428	75,855	77,749	75,604
Annual volume of treated drinking water (megalitres)	67,976	68,338	73,322	72,534	78,012
Annual disposal of residential solid waste (metric tonnes)	112,044	116,464	116,285	133,896	148,709
Annual diversion of residential solid waste (metric tonnes)	119,249	119,200	116,671	105,767	83,317
Regular service passenger Transit trips (000's) **	8,509	8,497	7,616	6,942	n/a
Tax collection rate*	95.6	95.6	95.5	96.0	96.0
Benchmark Information					
Total crime rate per 1,000 persons (Criminal Code Offences, excluding Traffic)	39.67	42.31	43.23	46.83	45.44
Youth crime rate per 1,000 youths	54.35	57.45	59.37	54.27	47.26
Percentage of paved lane kilometres where the condition is rated good to very good	48.7%	43.4%	39.4%	38.7%	36.2%
Number of conventional transit passenger trips per person in the service area in a year **	15.00	15.26	13.90	13.83	n/a
Number of wastewater main backups per 100 kilometres of wastewater main in a year	1.42	4.43	2.03	0.90	5.68
Percentage of wastewater estimated to have bypassed treatment	0.17%	0.02%	0.01%	0.18%	0.21%
Number of water main breaks per 100 kilometres of water distribution pipe in a year	6.5	7.2	9.6	5.1	8.7
Number of complaints received in a year concerning the collection of garbage and recycled materials per 1,000 households	25.55	25.49	22.06	54.47	11.61
Percentage of residential solid waste diverted for recycling (based on GAP)	51.10%	49.40%	47.64%	43.12%	36.80%
Demographics					
Population	616,780	605,730	596,660	583,800	572,855
Households	216,400	203,925	199,890	194,670	190,115

* Lower-tiered municipalities are responsible for collecting taxes and issuing building permits

** Transit was transferred to the Region from the local area municipalities on January 1, 2006

THE CORPORATION OF THE REGIONAL MUNICIPALITY OF DURHAM

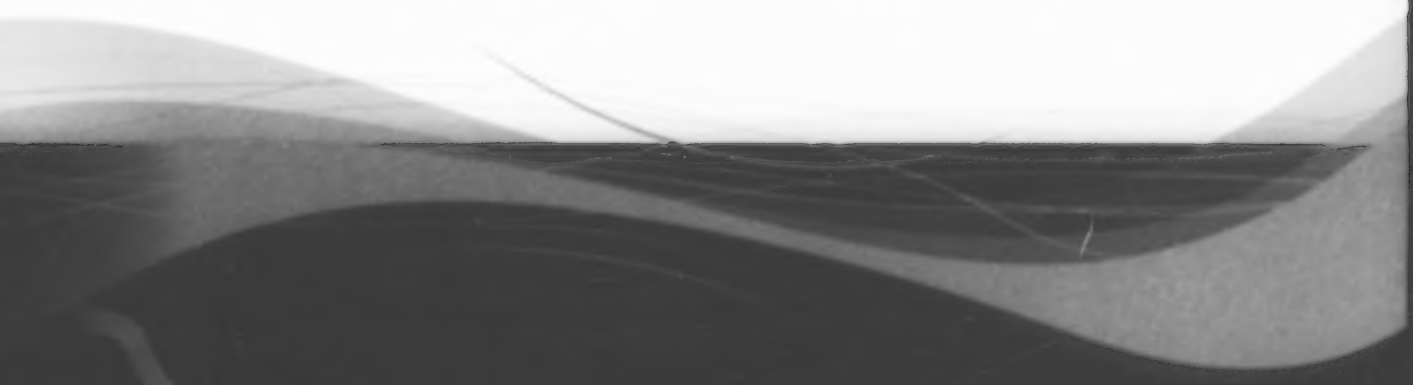
Statistical Review (Unaudited)

Years ended 2005 to 2009

Principal Corporate Taxpayers:

- General Motors of Canada Ltd.
- Ontario Power Generation
- Loblaws Properties Limited
- St. Mary's Cement Inc. (Canada)
- Enbridge Inc.
- Gerdau-AmeriSteel Corp.
- Johnson Controls Inc.
- Hydro One Networks Inc.
- LaFarge Canada Inc.
- Sobeys Capital Incorporated

Data sources for the 5-year review are as follows:
Financial Reports and Financial Information Returns of the Regional Municipality of Durham, Statistics Canada and the Durham Region Planning and Human Resources and Corporate Services departments.



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